

**FBIS**

# DAILY REPORT

## CONTENTS

*China*

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## PRC INTERNATIONAL AFFAIRS

## GENERAL

U.S. Welcomes Gorbachev Remarks on Verification	A 1
PRC Delegation Leaves for UN Congress on Crime	A 1
PRC UN Delegate Speaks on Puerto Rico Issue	A 2

## NORTHEAST ASIA

DPRK Marks 40th Anniversary of Liberation	D 1
Premier Urges U.S. Withdrawal	D 1
Recalls Soviet Aid	D 1
KYODO Says PRC Not Attending	D 2
Soviet Ships Make Port Call	D 2
Heilongjiang CPC Delegation Visits DPRK	D 3
Kim Il-song Envoy To Attend UN Anniversary	D 3
S. Korean Dissidents Oppose Campus Activism Bill	D 3
Wang Zhen at Opening of Anti-Japanese War Exhibit	D 4
Wang Huide Recalls Soviet Aid	D 4
Japanese Financier Lectures on Economic Reform	D 5

## WESTERN EUROPE

XINHUA Talks With Maltese President on PRC Trip	G 1
Vice Foreign Minister Zhou Nan Ends Tour	G 1
GUANGMING RIBAO on European Security Conference [4 Aug]	G 1

## PRC NATIONAL AFFAIRS

Circular Issued on Cotton Production, Marketing	K 1
Zheng Tuobin Article on Course of Foreign Trade	K 1
[SHIJIE JINGJI DAOBAO 29 Jul]	
Banks Urged To Attract More Savings Deposits	K 5
Further on Western China Development Seminar	K 5
JINGJI RIBAO Report [11 Aug]	K 5
JINGJI RIBAO Editorial [11 Aug]	K 6
Transportation as Key Factor	K 7
More Money Allocated for West	K 8
RENMIN RIBAO on Development of Rural Industries [29 Jul]	K 9
Role of Minority Nationalities in Modernization	K 14
[GUANGMING RIBAO 29 Jul]	
Suspended Science Magazine Resumes Publication	K 17
Typhoon No 8 Expected To Cause Torrential Rains	K 17

## PRC REGIONAL AFFAIRS

## EAST REGION

Shanghai Mayor on Foreign Economic Cooperation	O 1
Shanghai Organs Issue Economic Guidelines	O 2

## CENTRAL-SOUTH REGION

Liang Xiang Outlines Shenzhen Growth for PLA Leaders [YANGCHENG WANBAO 10 Aug]	P 1
RENMIN RIBAO on Differing Views of Shenzhen Strategy [9 Aug]	P 2
XINHUA Reviews Shekou Industrial Zone Progress	P 6
Hubei CPC Official on Situation in Rural Areas	P 8

## NORTHEAST REGION

Heilongjiang Governor Reports on Price Reforms	S 1
Views Economic Situation	S 2

## TAIWAN

Premier Yu Accepts Finance Minister's Resignation	V 1
Ministry Reports Communications System Progress	V 1

## HONG KONG MEDIA ON CHINA

CHIUSHIH NIENTAI Sees Hainan in 'Scapegoat' Role [1 Aug]	W 1
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U.S. WELCOMES GORBACHEV REMARKS ON VERIFICATION

OW150714 Beijing XINHUA in English 0646 GMT 15 Aug 85

[Text] Washington, August 14 (XINHUA) -- The White House today welcomed what it described as the Soviet recognition of the importance of the verification question in discussion of nuclear testing, and reiterated Reagan's invitation to the Soviets to visit the Nevada nuclear test site to measure the yield of the next test.

In response to Soviet leader Mikhail Gorbachev's statement yesterday concerning nuclear test ban, White House spokesman Larry Speakes said although Gorbachev's statement "appears to be mostly a reiteration of previous Soviet positions," he, however, "talked about verification," and the United States "will study his remarks carefully and may have more to say on the subject when we have done so."

Gorbachev, while renewing his call for the United States to join the moratorium on nuclear test, has said in an interview with the Soviet news agency TASS that the Soviet Union would seek a nuclear test ban agreement that included "an appropriate system of verification measures -- both national and international ones."

"It is our opinion in the absence of on-site inspection, the margin of error in verifying the limitations on nuclear testing is quite substantial," Speakes said, adding that Reagan's invitation to the Soviets to visit the Nevada test site "could lead to the process of developing effective verification to help assure compliance with nuclear test limitation agreements."

The Soviet Union turned down the invitation after the United States rejected the Soviet proposal for a joint moratorium on testing nuclear weapons beginning August 6.

Speakes reiterated the White House's argument that the Soviets made the proposal because they "have finished a testing and deployment of an entire generation of new missiles." "We need a little parity," he said.

PRC DELEGATION LEAVES FOR UN CONGRESS ON CRIME

OW150742 Beijing XINHUA in English 0721 GMT 15 Aug 85

[Text] Beijing, August 15 (XINHUA) -- The Chinese Government will join in activities on crime prevention initiated by the U.N.

This was stated by Chinese Minister of Justice Zou Yu before leaving here today for the 7th U.N. congress on the prevention of crimes and the treatment of offenders. He is head of the Chinese delegation. Crime had become a serious social problem in many countries, Zou Yu said.

Traditional offences in some countries, mainly those against property and, persons and drug abuse, kept increasing. New types of offences had cropped up in various forms. The governments of all countries were duty-bound to show concern about crime prevention and take effective measures. This was true despite different social systems and conditions and differences in the gravity of offences, Zou Yu said.

Zou Yu said that the Chinese delegation hoped to further mutual understanding and friendship with all the other delegations, learning from their good experience and discussing issues of common concern.

The 7th U.N. congress on crimes will be convened in Milan, Italy, on August 26. Before attending the congress, Zou Yu will visit Romania.

PRC UN DELEGATE SPEAKS ON PUERTO RICO ISSUE

OW150840 Beijing XINHUA in English 0703 GMT 15 Aug 85

[Text] United Nations, August 14 (XINHUA) -- The U.N. Special Committee on Decolonization adopted a resolution here this afternoon, reaffirming the inalienable right of the people of Puerto Rico to self-determination and independence.

Sponsored by Venezuela and Cuba, the resolution hopes that the people of Puerto Rico may exercise without hindrance their right to self-determination, with the full recognition of the people's sovereignty and political equality.

Yesterday, Cuba and Venezuela submitted their respective resolutions to the committee. Before the voting took place today Cuba withdrew its stronger-worded draft and joined Venezuela in submitting a joint draft with Venezuela's draft as its basis.

China did not take part in the voting. After the vote Chinese representative Zhang Fengkun explained why. She said that China has always sympathized with and supported the struggle of the Puerto Rican people for exercising their inalienable right to self-determination.

However, "we maintain that the affairs of the Puerto Rican people should be decided by themselves and we oppose external interference from any powers," she said.



DPRK MARKS 40TH ANNIVERSARY OF LIBERATION

## Premier Urges U.S. Withdrawal

OW141933 Beijing XINHUA in English 1920 GMT 14 Aug 85

[Text] Pyongyang, August 14 (XINHUA) -- The Democratic People's Republic of Korea today celebrated its 40th anniversary of national liberation with a call for the immediate withdrawal of U.S. troops and arms from South Korea.

"The United States must stop aggravating the situation on the Korean peninsula and impeding the talks between the North and the South", Premier Kang Song-san said in a report to a meeting held here by the Central Committee of the Workers Party of Korea (WPK) to mark the occasion.

The premier, also a member of the Political Bureau of the Central Committee of the WPK, reiterated that his government would do its utmost to achieve national reunification by peaceful means. He pointed out that the U.S. Armed Forces in South Korea constitutes the biggest obstacle in the way of reunification.

Kang praised the Red Army's role in the liberation of Korea which, he said, was a great victory won by the Korean People's Army and the Red Army in the war against Japanese aggression.

Kim Il-song, general secretary of the WPK and president of the republic and other leaders attended the meeting.

G.A. Aliyev, member of the Political Bureau of the Central Committee of the Soviet Communist Party and first vice-chairman of the Council of Ministers delivered a speech of congratulations at the meeting. Mentioning Sino-Soviet relations in passing, he said that their normalization would have a salutary influence on Asia and other parts of the world.

## Recalls Soviet Aid

OW150503 Beijing XINHUA Domestic Service in Chinese 1612 GMT 14 Aug 85

[By reporter Gao Haorong]

[Text] Pyongyang, 14 Aug (XINHUA) -- A central report meeting was held in Pyongyang today to warmly celebrate the 40th anniversary of the liberation of Korea.

In his report, Kang Song-san, member of the Political Bureau of the WPK Central Committee and premier of the State Administration Council, said: The liberation of Korea was a great victory over the Japanese aggressors won jointly by the Korean People's Revolutionary Army and the Soviet Army.

Reviewing Korea's achievements in various fields during the past 4 decades since the liberation, he pointed out: They were 4 decades of overcoming mounting difficulties and enduring tests and carrying out creative activities and reforms to build a new society from the ruins.

Kang Song-san called on the people throughout the country to continue to implement the three major revolutionary lines on ideological, technological, and cultural fronts; fervently love and safeguard the socialist motherland; and strive to accomplish the 10 long-range goals of socialist economic construction.

Turning to the question of Korea's reunification, Kang Song-san reiterated that the Korean Government will achieve national reunification by peaceful means. He pointed out that the U.S. Armed Forces in South Korea constitute the biggest obstacle to reunification. He called on the United States to stop aggravating the situation on the Korean peninsula and impeding dialogues between North and South Korea and to withdraw immediately all U.S. troops and arms from South Korea.

Attending the meeting today were Kim Il-song, general secretary of the WPK Central Committee and president of the DPRK; and party and government leaders Kim Chong-il, O Chin-u, Pak Song-chol, Yim Chun-chu, and Yi Chong-ok.

G.A. Aliyev, member of the Politburo of the CPSU Central Committee and first deputy chairman of the Council of Ministers, in Pyongyang to attend the commemorative activities, delivered an address at the meeting.

#### KYODO Says PRC Not Attending

OW150027 Tokyo KYODO in English 0004 GMT 15 Aug 85

[Text] Beijing, Aug. 15 KYODO -- China will not send a delegation to Pyongyang to celebrate North Korea's liberation day Thursday, a Chinese foreign official said Wednesday.

The official said the Soviet Red Army played the major foreign role in Korea's liberating itself from Japanese occupation, and that China played no direct part in the Korean liberation war, the Chinese official said.

This remark was taken by some watchers as indication that North Korea may have not sent an invitation for China to attend the liberation day ceremony in Pyongyang.

The Chinese official, however, stressed that there is no change in the friendly relations between China and North Korea.

The Soviet Union is dispatching an official delegation, led by Politburo member and First Deputy Premier Geydar Aliyev, to Pyongyang for the celebration.

Moscow is also sending a military delegation, a naval fleet, and cultural and art groups.

#### Soviet Ships Make Port Call

OW140148 Beijing XINHUA Domestic Service in Chinese 0801 GMT 12 Aug 85

[Text] Pyongyang, 12 Aug (XINHUA) -- According to a press communique released by Korea's NODONG SINMUN today, a detachment of the Soviet Red Banner Pacific Fleet led by Vice Admiral Yasakov, first deputy commander of the fleet, will soon make an official friendly call at Wonsan Port on the eastern coast of Korea.

The detachment consists of the large 'Tallin' submarine chaser and two escort vessels.

According to a TASS report, during the 5-day call beginning on 13 August, Soviet sailors will attend celebrations in commemoration of the 40th anniversary of Korea's liberation.

HEILONGJIANG CPC DELEGATION VISITS DPRK

OW140845 Beijing XINHUA Domestic Service in Chinese 0747 GMT 10 Aug 85

[By reporter Qu Benjin]

[Text] Pyongyang, 9 Aug (XINHUA) -- Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea [WPK], met here this evening with a delegation of the Heilongjiang Provincial CPC Committee and had a cordial and friendly conversation with the delegation members. The visiting delegation, headed by Li Lian, member of the CPC Central Committee and secretary of the Heilongjiang Provincial CPC Committee, was honored at a banquet given by Hwang Chang-yop after the meeting.

Present were Hyon Chun-kuk, first deputy director of the WPK Central Committee's International Affairs Department, and Zong Kewen, Chinese ambassador to Korea.

At the invitation of the North Hamgyong Provincial WPK Committee, the delegation arrived in Chongjin City on 30 July to begin a friendship visit to North Hamgyong Province. It was warmly welcomed and received by Cho Se-ung, candidate member of the WPK Central Committee's Political Bureau and responsible secretary of the North Hamgyong Provincial WPK Committee, and other local responsible persons. The Chinese delegation visited North Hamgyong, Pyongyang, Kaesong, and other places. The delegation will leave Pyongyang for home on 10 August.

KIM IL-SONG ENVOY TO ATTEND UN ANNIVERSARY

OW131535 Beijing XINHUA in English 1430 GMT 13 Aug 85

[Text] Pyongyang, August 13 (XINHUA) -- A special envoy of Kim Il-song, president of the Democratic People's Republic of Korea (DPRK), will attend the celebrations of the 40th anniversary of the United Nations at the invitation of the U.N. secretary general.

This was announced by Pak Min-sop, director of the Information Bureau of the Foreign Ministry, at a press conference here today.

Pak noted that the dispatch of the envoy shows the Republic's desire for concert actions with all other peace-loving governments and peoples to safeguard world peace and security.

This will be the first time that the DPRK, one of the four non-member states which have resident observers in the United Nations, sends its special envoy to a U.N. function.

It was reported that the South Korea will also send a senior official to the celebrations.

When asked if the two envoys will hold a meeting during the celebrations, Pak replied that he had no idea.

The celebrations will take place between October 14 and 24.

S. KOREAN DISSIDENTS OPPOSE CAMPUS ACTIVISM BILL

OW141616 Beijing XINHUA in English 1447 GMT 14 Aug 85

[Text] Pyongyang, August 14 (XINHUA) -- South Korea's 40 dissident groups yesterday aligned to fight against a bill for the quelling of campus activism for democratization, reports received here said today.

The alliance, called "The National Struggle Committee Against the Campus Stabilization Law," was formed at the initiative of a dissident political organization led by South Korea's two best-known opposition leaders, Kim Tae-chung and Kim Yong-sam.

Calling it "autocratic and anti-democratic" in a statement released at a joint news conference, the two Kims demanded that the South Korean authorities drop at once the bill which the ruling Democratic Justice Party plans to ram through parliament later this month.

The major opposition New Korea Democratic Party has vowed to go all-out to prevent the bill from being approved by parliament.

WANG ZHEN AT OPENING OF ANTI-JAPANESE WAR EXHIBIT

OW140844 Beijing XINHUA in English 0833 GMT 14 Aug 85

[Text] Beijing, August 14 (XINHUA) -- An exhibition on the anti-fascist struggle of World War II and on China's war against Japanese aggression opened here today at the Museum of the Chinese Revolution, marking the 40th anniversary of victory.

The opening ceremony was attended by Wang Zhen, member of the Political Bureau of the Central Committee of the Communist Party of China, high-ranking officers of the Chinese People's Liberation Army and a number of former Kuomintang generals who fought in the anti-Japanese war.

On show are 500 photos taken during the war and picture posters painted at that time.

Addressing the opening ceremony, Wang Huide, deputy head of the Propaganda Department of the Chinese Communist Party Central Committee, said: "Forty years ago, the allies, made up of 50 countries including the Soviet Union, the United States, China, Britain and France won their historic victory over the fascist axis formed by Germany, Italy and Japan. China's war against Japanese aggression was one of important parts and main battlefields in the World War against the fascists."

The exhibition will be open until October 6.

Wang Huide Recalls Soviet Aid

OW150040 Beijing XINHUA Domestic Service in Chinese 1501 GMT 14 Aug 85

[By reporter Yin Hongzhu]

[Excerpts] Beijing, 14 Aug (XINHUA) -- An "exhibition commemorating of the 40th anniversary of the victory of the war of resistance against Japan and the world's anti-fascist war" opened at the Museum of the Chinese Revolution this morning.

Leading Comrades Wang Zhen, Xiao Ke, Huang Huqing, Cheng Zihua, Zhou Gucheng, and Qian Changzhao attended the opening ceremony together with over 300 people from various circles in the capital. They viewed some 500 photos taken during the war and posters painted at that time.

Vice Minister of Culture Zhou Weizhi presided over the opening ceremony.



Addressing the opening ceremony, Wang Huide, deputy director of the Propaganda Department of the CPC Central Committee, said: China's war of resistance against Japan was one of the important parts and main battlefields of the World War against the fascists. During the war, the Chinese people waged an epic struggle and made grave national sacrifices. China's war of resistance against Japan received the support and assistance from the Allies and people of various countries, in particular, the Soviet Government and people. The Chinese nation will never forget all the countries and people that supported China's war of resistance against Japan. The photos and posters on display at the exhibition will provide an opportunity for people who witnessed the events to recall the past, as well as serve as an instructive classroom for young people born after the war.

He said: It is necessary to maintain vigilance against the danger of new war, oppose hegemonism, give resolute support for arms reduction, and develop friendship and cooperation with the people of various countries in order to strive for maintaining universal peace. It is necessary to work actively for cooperation between the Kuomintang and the CPC for the third time and strive for an early reunification of the motherland, which, he believed, will be the best way to commemorate the victory of the war of resistance against Japan and the World War against the fascists.

The exhibition also factually reflects the second Kuomintang-Communist cooperation and the Kuomintang's heroic frontal battlefields. A photo showing chairman of the Nationalist Government's Military Committee, Chiang Kai-shek, making a speech during the war is also on display for the first time.

Also attending the opening ceremony were responsible persons of all democratic parties and departments concerned, as well as former patriotic Kuomintang generals who took part in the heroic struggle against the Japanese Army of aggression at that time.

#### JAPANESE FINANCIER LECTURES ON ECONOMIC REFORM

OW141742 Beijing XINHUA in English 1551 GMT 14 Aug 85

[Text] Beijing, August 14 (XINHUA) -- Reform of the financial and monetary structures should lead the way in China's economic reforms, said a noted Japanese financier today.

Masatke Ito, vice-president of Nomura Securities Co. Ltd of Japan, said in a lecture sponsored by the State Economic Commission that his view is based on Japan's experiences in economic development over the past few decades.

Speaking to over 200 experts and scholars from 50 government departments, research institutes and colleges, he suggested strengthening taxation, curbing inflation, introducing low interest rates, publicizing the importance of saving, and enacting necessary legislation before setting up a stock and bond market.

Masatake Ito is also an adviser at the Economic Management Center of the State Economic Commission.

In his speech introducing today's lecture, Lu Dong, minister in charge of the State Economic Commission, who invited Masatake Ito to China, called him "an old friend who has devoted himself to cultivating friendly ties between China and Japan. He has faith in China's socialist construction and has made many good suggestions for it."



XINHUA TALKS WITH MALTESE PRESIDENT ON PRC TRIP

OW141946 Beijing XINHUA in English 1941 GMT 14 Aug 85

[Text] Valletta, August 14 (XINHUA) -- Maltese President Miss Agatha Barbara left here this afternoon for good-will visits to the People's Democratic Republic of Korea and China.

President Barbara, speaking to XINHUA at the airport, expressed "thanks for the invitation of the Chinese Government and people." She said: "The visit (to China) is a sign of the good relationship between Malta and China and I hope the result of the visit will further promote the good relationship between the two countries."

Malta's Acting President Carmelo Schembri, Chinese Charge d'Affairs ad interim in Malta Wei Zhenggang and Korean ambassador were at the airport to see her off.

PRC VICE FOREIGN MINISTER ZHOU NAN ENDS TOUR

OW141750 Beijing XINHUA in English 1450 GMT 14 Aug 85

[Text] Bern, August 14 (XINHUA) -- Chinese Vice-Foreign Minister Zhou Nan today ended a three-day visit to Switzerland, the last leg of his Western Europe tour.

Zhou paid the visit at the invitation of the Swiss Federal Department of Foreign Affairs. During his stay here, he held talks separately with the department's Secretary of State Edouard Brunner and chief of the department Pierre Aubert. The hosts and the guest agreed to strengthen bilateral relations of friendship and cooperation.

Zhou had visited Italy, San Marino and Austria before Switzerland. He is scheduled to return home on August 16.

GUANGMING RIBAO ON EUROPEAN SECURITY CONFERENCE

HK120928 Beijing GUANGMING RIBAO in Chinese 4 Aug 85 p 3

["International Commentary" by Northern Europe correspondent Sang Hongchen: "A Slow and Tortuous Process"]

[Text] From 30 July to 1 August, foreign ministers of the 35 member-countries of the Conference on Security and Cooperation in Europe held a meeting in Helsinki, Finland, to celebrate the 10th anniversary of the signing of the final document of the CSCE.

The final document of the CSCE, the Helsinki agreement, was a product of given historical conditions. Ten years ago, government leaders of 35 European and North American countries gathered in Helsinki to sign the final document of the CSCE, which expressed the "desire of various European countries for peace, security, and cooperation."

Today when people are reviewing the development of peace and cooperation in Europe, their hope and disappointment mix together. Since the holding of the CSCE, Europe has maintained a rather unstable peace, but some progress has been made in the economic, cultural, scientific, and technological cooperation between various European countries. However, it must be admitted that the serious confrontation in Europe between the two superpowers has increased.

The Belgrade and Madrid extended conferences of the CSCE accomplished nothing; no progress was made at the Stockholm disarmament conference last year; the human rights conference held in Ottawa in June broke up in discord; and the U.S.-Soviet Geneva nuclear disarmament negotiations are at a standstill.

The security of Europe is covered by a dark cloud. In his statement celebrating the 10th anniversary of the signing of the Helsinki agreement, FRG Chancellor Kohl reminded people that although the agreement laid a foundation for East-West relations, it did not meet people's expectations.

At the celebratory meeting, many small and medium-sized European countries wanted to take the opportunity to promote peace and cooperation in Europe, but the speeches by the U.S. secretary of state and the Soviet foreign minister brought a disharmonious atmosphere to the meeting. U.S. Secretary of State Shultz blamed the Soviet Union for trampling on human rights, imposing restrictions on Jews emigrating abroad, and jailing people who hold divergent political views, whereas Soviet Foreign Minister Shevardnadze criticized the United States for interfering in the internal affairs of other countries on the problem of human rights and for drawing up the "star wars" plans, which have escalated the arms race.

Peace and cooperation in Europe is the common desire of the people of Europe. Foreign ministers of many European countries took the opportunity provided by the meeting to make frequent contacts with each other. GDR Foreign Minister Fischer and FRG Foreign Minister Genscher exchanged their views on bilateral relations. Genscher said: "We know that the atmosphere of confrontation is most harmful to the Germans, who are in the middle of Europe." Some neutral and nonaligned countries have stressed that they are playing an increasingly important role in realizing peace and cooperation in Europe.

The Swedish foreign affairs minister pointed out that they should have confidence and that the security and future of Europe should not be based on the results of talks between big countries.

Prior to the celebratory meeting, the foreign ministers of nine neutral and nonaligned countries in Europe held negotiations in Stockholm. After this, they came to Helsinki and held a press conference there. This shows that they have a further desire for displaying their role in promoting peace and cooperation in Europe.

The two superpowers cannot keep absolute control over this key problem of fundamental concern to the European people. Although peace and cooperation in Europe is proceeding slowly and arduously, it will develop with the common efforts of the European people.

CIRCULAR ISSUED ON COTTON PRODUCTION, MARKETING

OW141401 Beijing XINHUA Domestic Service in Chinese 1312 GMT 13 Aug 85

[Text] Beijing, 13 Aug (XINHUA) -- On 9 August the State Planning Commission issued a circular on current cotton production and marketing. The circular urges all localities to further promote cotton sales and consumption and to improve the quality of cotton.

The circular says: As far as current cotton production is concerned, the problem is how to improve quality. Agricultural departments should work hard to develop fine-quality and high-yield varieties of cotton, and Hebei, Shandong, and Henan are especially required to try every possible means to make headway in this field of work. As for cotton distribution, it is imperative to implement the principle of meeting the state-planned target and the provincial needs first and then the nonquota target and other provincial needs. Departments concerned should draw up annual purchase and transfer plans for cotton procurement and, when the supply is inadequate in a given province, they may purchase cotton in areas as designated. Industrial departments may make purchases from cotton and hemp companies in the cotton-growing areas when they need cotton to produce nonquota clothes. But they are not authorized to make direct purchases from cotton-producing peasants.

The circular urged the commercial, sales, and marketing departments in various localities to provide cotton for export on a priority basis and asked railway and other transport departments to expedite cotton shipments.

ZHENG TUOBIN ARTICLE ON COURSE OF FOREIGN TRADE

HK121450 Shanghai SHIJIE JINGJI DAOBAO in Chinese 29 Jul 85 p 8

[Article by Zheng Tuobin: "China's Foreign Trade Booming in the Course of Reform and Opening Up"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, China has been resolutely implementing the policy of opening up in her foreign trade, expanding her foreign economic and technological exchanges according to the principle of equality and mutual benefit, and carrying out the reform of the economic structure in a planned way. China's foreign trade is now playing a very important role in the course of building socialism with Chinese characteristics and has brilliant developmental prospects.

The Importance and Strategic Position of Foreign Trade in Building the Four Modernizations Has Been Established

In the course of reform and opening up, great changes have taken place in the guiding ideology of our country's foreign trade. One of the most significant changes is that the important and strategic position of foreign trade in building the four modernizations has been established. Since the 3d Plenary Session of the 11th CPC Central Committee, according to the basic principles of Marxism, Leninism, Mao Zedong Thought and by proceeding from actual conditions, the CPC Central Committee has summed up our country's experiences and used the experiences of foreign countries for reference. This has clarified the relations between the development of foreign trade and the policy of maintaining independence, keeping the initiative in our own grasp, and relying on ourselves; smashed old concepts; made clear that "China's development cannot be separated from the rest of the world;" and allowed us to achieve opening to the outside world. This is a historical and strategic change.

The CPC Central Committee has repeatedly stressed that we must make full use of the resources both at home and abroad, open up both domestic and international markets, learn the skills needed for organizing construction at home and the skills needed for developing foreign trade, and accelerate the building of socialist modernization. This strategic guiding ideology has pointed out that in the present world, economic and technological contacts among various countries are becoming closer and closer and it is objectively necessary and important for us to greatly develop our foreign trade in order to further socialist modernization. This ideology has also emphasized the important and strategic position of foreign trade. The new guiding ideology for foreign trade has greatly raised the consciousness of the whole party and the people of the whole country, greatly aroused the enthusiasm of all sides in developing foreign trade, opened up more new areas for the development of foreign trade, and brought about many new changes and breakthroughs in the various aspects of our country's foreign trade in just a few years.

To Carry Out Trade With More Foreign Countries on the Basis of Equality and Mutual Benefit, the Total Import-Export Volume in 1984 Hit an All-time High

In the past few years, owing to the continuous development of our national economy and based on needs and possibilities, our country has actively expanded trade and developed economic and technological cooperation with Third World countries, the Soviet Union, East European countries, and others according to the principle of equality and mutual benefit. With the joint efforts of the various relevant departments, provinces, and municipalities directly under the central government and autonomous regions, we have fulfilled our foreign trade plan and the foreign trade volume has shown a big increase. According to the statistics of the Ministry of Foreign Economic Relations and Trade, the total volume of our country's imports and exports in 1984 reached \$49.97 billion, an all-time high and an increase of more than 100 percent compared with that of 1978. Many places and departments have changed the old concept of exporting what they produce and have actively organized the production of the commodities which sell well according to the needs of the international market. The 1984 export volume reached \$24.44 billion, a 150 percent increase over that of 1978. In its import-export trade, China has adopted various flexible methods such as multilateral trade, compensatory trade, promoting exports by imports, barter trade, processing with imported materials, processing with supplied materials and samples, assembling with supplied parts, and other methods which have greatly pushed forward the import-export trade. In order to meet the needs of opening up to the outside world and invigorating the domestic economy, we have carried out a series of reforms in the administrative structure of foreign trade which have greatly pushed forward the development of foreign trade and have played an important role in the various aspects of the foreign trade, such as expanding foreign trade, specially developing the export trade, strengthening our international payment capability, creating favorable conditions for the development of various types of foreign economic cooperation, advancing the domestic production and construction, readjusting the national economy and enabling it to achieve a benign cycle, making the domestic market prosper, improving the people's lives, and more.

Changing the Old Concept of "Feeling at Ease While Having Neither Internal Debts Nor External Debts," There Have Been Fundamental Breakthroughs in the Manner, Variety, and Scope of Using Foreign Funds

We have changed the old concept of "feeling at ease while having neither internal debts nor external debts," and we are now using foreign funds in the way accepted by all the countries of the world. We have also made fundamental breakthroughs in the manner, variety, and scope of using foreign funds.



The state has adopted a series of important methods to open the country to the outside world and attract foreign funds, such as establishing the special economic zones, further opening up 14 coastal cities, opening up 3 coastal economic areas slated for special open status, borrowing foreign funds, accepting various types of direct investment, and allowing foreign businessmen to establish joint ventures, enterprises which are jointly run, and enterprises with sole foreign investment, among others. All these have initially opened up new prospects for using foreign funds. In the past 6 years we have actually used foreign funds worth \$17 billion, which is almost equivalent to 10 percent of the total investment in the country's capital construction in the corresponding period. We have accepted direct investment from foreign businessmen in more than 3000 projects. The facts show that using foreign funds is a necessary and beneficial supplement to our country's socialist economy and has achieved great successes in making up our country's insufficient construction funds, strengthening our country's export capability, absorbing advanced foreign technology and administrative experiences, and so on.

#### Great Changes Have Taken Place in Importing Technology, and the Policy of Importing, Absorbing, Opening Up, and Advancing New Ideas Has Been Implemented

Since summing up the experiences and lessons, great changes have taken place in our country's importation of advanced foreign technology. In the past, our country mainly imported complete sets of equipment; now our country mainly uses such methods as licensed trade, cooperative production, advisory services, technological services, and so on to import equipment manufacturing technology and production technology. In the past our country mainly imported foreign technology to build new, large, and key enterprises; now our country mainly imports foreign technology to carry out technological transformation of the old enterprises. From 1978 to June 1984, there were more than 900 technological items imported by our country using state foreign exchange, among which "software" technology showed a big increase. This situation shows that our country's technological standard has been greatly raised. Since then, we have firmly taken the road of "importing, absorbing, opening up, and advancing new ideas" and have achieved a higher starting point, faster pace, and good results, all of which have played a positive role in making full use of the opportunity provided by the new world technological revolution to push forward our country's technological progress and narrow the distance between our country's technological standard and the advanced international technological standard.

#### To Carry Out Various Economic and Technological Cooperation With the Third World Countries and Promote South-South Cooperation and Develop Other Types of International Cooperation

What is more, there have also been new changes and breakthroughs in the development of various types of foreign economic and technological cooperation. We have inherited and developed the spirit of "the eight principles concerning aid to foreign countries" proposed by the late Premier Zhou Enlai, and followed the four principles of "enjoying equality and mutual benefit, stressing actual results, taking various forms, and achieving common development" in the development of various types of economic and technological cooperation with Third World countries under the new circumstances. At the same time, our country has continued to give as much aid as she could to those Third World countries which have more difficulties. These changes and breakthroughs have been welcomed and praised by many countries in the world. We have also smashed the trammels of the incorrect "leftist" idea on the export of labor, and have contracted projects and carried out cooperation in labor with scores of countries and regions in the world according to the principle of "abiding by contracts, guaranteeing quality, gaining small profits, and valuing friendship," thus achieving great successes.



In cooperation with the international organizations, we have changed our past method of "only making contributions and never receiving aid" by adopting a practical attitude to win and accept bilateral and multilateral economic and technological aid while making contributions to the UN development committee and affiliated organizations in order to serve the building of the four modernizations. Some of this aid has already played an important part in our country's construction. To carry out economic and technological cooperation with foreign countries in various forms is not only beneficial to the expansion of our country's foreign economic relations and to the acceleration of our country's economic construction, but is also beneficial to the development of "South-South cooperation" and various other types of international cooperation, to understanding and friendship among the Chinese people and the people of other countries in the world, and to the creation of a good international environment.

**The Main Task of Our External Economic Work in the Future Is To Expand External Trade, Especially the Export Trade**

In the historical trend of reform and opening up, the latest development of China's foreign economic relations and trade shows that our country's economy has greatly developed and our country has strengthened its economic contacts with the international community. However, at present these kinds of contacts are still not close enough. We must develop our foreign economic relations and trade more deeply and more extensively in order to further strengthen our economic contacts with the international community. In the future we must regard expanding external trade, especially the export trade, as the main task for the development of our country's foreign economic relations. According to the principle of arousing enthusiasm on all sides and realizing unity in handling foreign economic relations, we will continue to carry out the reform of the structure of our foreign trade in a planned way and combine developing our external trade with making use of foreign funds, importing advanced technology, and carrying out various other types of economic and technological cooperation with foreign countries so as to enable them to promote each other, develop together, create more foreign exchange, realize the strategic task of quadrupling the total volume of our country's import-export trade at the end of this century, and contribute to the realization of quadrupling the total annual industrial and agricultural output value of our country. To develop our foreign economic relations and trade and strengthen our country's various economic contacts with the rest of the world conforms to the objective laws of international economic development. This is not only beneficial to accelerating the construction of China's socialist modernization, but also to the entire international community and world peace. Comrade Deng Xiaoping pointed out: "Because China has joined the international community, on the one hand, China will be able to absorb the funds and technologies of advanced foreign countries on the other, China will be able to make more contributions to the development of the international economy after acquiring the funds and technologies of the advanced foreign countries." (RENMIN RIBAO, 7 October 1984) Because of this, we must resolutely carry out the reform, open the country to the outside world, and greatly develop China's foreign economic relations and trade. The development of China's foreign economic relations and trade has brilliant prospects. China's door will be forever open to the people of all countries who would like to come to cooperate with China. We hope to adopt various methods to further develop our economic, trade, and cooperative relations with various countries in the world on the basis of equality and mutual benefit. I hope that our country will continue to have the sincere and friendly cooperation of the international community and of the friends of various countries in the world in this respect.

BANKS URGED TO ATTRACT MORE SAVINGS DEPOSITS

OW131051 Beijing Domestic Service in Mandarin 1200 GMT 10 Aug 85

[Text] At a national savings work conference which ended here today, Zhang Xiao, president of the Industrial and Commercial Bank of China, conveyed the guidelines of an instruction given by a responsible comrade of the State Council on current monetary affairs.

Banks, the instruction says, have a great responsibility in strengthening macroeconomic control. They should attract more savings deposits, exercise strict control over credit loans, and help enterprises accelerate capital circulation and improve their economic results. They should exert special efforts to help enterprises improve product quality, reduce costs, practice economy in raw material consumption, and lessen the intensity of their equipment operation. It is imperative to prohibit the use of circulating funds for capital construction, to strictly enforce this rule, and to immediately deal with any irregularities and offenses.

To implement the guidelines of this instruction, Zhang Xiao urged industrial and commercial banks in all localities to do the following tasks well:

1. Arrangements should be completed by the end of August or early September for all industrial and commercial banks to find savings agencies that can act on their behalf in attracting savings deposits.
2. Circulating funds spent by enterprises on capital construction must be immediately retrieved.
3. All industrial and commercial banks should review the credit loans they have issued since the beginning of this year, and recall those that are unreasonable without delay.
4. All credit loans authorized by industrial and commercial banks must be within the limits of their current plans, and must not exceed the present limits.

FURTHER ON WESTERN CHINA DEVELOPMENT SEMINAR

JINGJI RIBAO Report

HK141508 Beijing JINGJI RIBAO in Chinese 11 Aug 85

[Special dispatch from Lanzhou: "Seminar on Developing the Economy of China's Western Regions Opens"]

[Text] The first "seminar on the economic development in China's western regions" since the founding of the country opened in Lanzhou on 10 August. Party and government cadres, experts, scholars, cadres responsible for practical work, and comrades interested in the problem of development in this part of the country gathered here to probe the problem of economic development in the western regions. These people are from more than 20 of the country's provinces, cities, and autonomous regions.

China's western regions include 11 provinces and autonomous regions including Nei Monggol, Ningxia, Gansu, Qinghai, Xinjiang, Xizang, Shaanxi, Sichuan, Yunnan, Guizhou, and Guangxi. These regions have a vast area and are rich in natural resources. However, because of some unfavorable natural conditions and other social and historical factors, most of them are economically underdeveloped. According to some rough statistics, in 1984, the per capita industrial and agricultural output value achieved by the western region was only 64 percent of that achieved by the country as a whole and the per capita national income there was only 66 percent of the country's average figure.

At present, food and clothing are still a problem for more than 80 million people in the country. Of these, 65 percent, or more than 56 million, live in these 11 provinces and autonomous regions. As a result of the in-depth development of the reform of the economic structure and of opening up the country to the world, the western regions have even more formidable challenges to meet. If we fail to bring about an economic takeoff in the western regions, the national economic development of the eastern regions and the national economic development of the whole country will be directly affected. Under such circumstances, the CPC Central Committee has promoted the strategy of diverting the bulk of economic construction to the western regions by the turn of this century.

In accordance with this strategy, the State Council's Economic, Technological, and Social Development Research Center, the Society for Study of the Reform of China's Economic Structure, the State Planning Commission, the Planned Economy Research Center, JINGJI RIBAO, and the governments of the 11 provinces and autonomous regions have jointly called this seminar. The main objective of the seminar is, given the present conditions in the western regions, on the basis of the overall situation, and by integrating theory with practice, to encourage multilateral dialogues, to pool collective wisdom, and to exchange experiences in order to arrive at a comprehensive understanding of the problem of economic development in the western regions; to submit to the CPC Central Committee and the State Council practical and feasible proposals on the short-term, medium-term, and long-term economic development in the western regions; to facilitate cooperation; to effect an economic takeoff in the western regions; and to give impetus to the rise of the Chinese nation.

Present at today's meeting were Wang Feng, Wei Jie, Wang Shitai, Ren Baige, and Chang Lifu, all members of the CPC Central Advisory Commission; the responsible comrades of the ministries and central departments concerned; and the responsible comrades of Gansu, the Lanzhou Military Region, and other provinces, autonomous regions, and cities. Chief Editor An Gang of JINGJI RIBAO delivered an opening speech. A written speech by Xue Muquiao, an economist and honorary director-general of the Economic, Technological, and Social Development Research Center, on the problem of the western regions was read aloud at the meeting. Secretary Li Ziqi of the Gansu Provincial CPC Committee; Yu Guangyuan, an economist and an adviser to the Academy of Social Sciences of China; Anhui Vice Governor Yang Jike; Wu Junyang, former deputy director-general of the State Council's Economic Research Center; and Zheng Weiping, a representative of young and middle-aged theorists, also spoke at the meeting. On behalf of the youths who are to be in charge of the construction in the western regions in the future, a representative of Gansu's Young Pioneers delivered a congratulatory message expressing their ideals and their expectations on construction in the western regions.

#### JINGJI RIBAO Editorial

HK140853 Beijing JINGJI RIBAO in Chinese 11 Aug 85 p 1

[Editorial: "Develop the West To Invigorate China -- Greeting the Opening of the First Seminar on Developing the Economy of China's Western Region"]

[Text] Under the new situation of reform and opening up, economic development in the vast western region of our country has become a noteworthy question to which people have paid more and more attention. This question has a decisive strategic bearing on achieving our country's grand objective of quadrupling the industrial and agricultural output value by the end of this century, on ensuring the sustained and steady economic development of the eastern region, and on the rapid development of the Chinese nation in the 21st century.



The party central leadership and the State Council have always been concerned about the economic development of the western region. In recent years, central leading comrades have made many inspection tours in the northwest region and the southwest region and have made many important speeches. They have clearly pointed out: Around the turn of the century, the center of gravity of economic construction in our country will be shifted westward. So we cannot take action as late as next century, but should now begin to make preparations. This will be the second major step for invigorating the Chinese nation as a whole.

The preparations include both material and mental preparations. Undoubtedly, we should now begin to accumulate funds, draw up plans, explore resources, prepare for major construction projects, and train competent personnel in an active and planned way. On the other hand, we should also begin to make preparations in the ideological and theoretical fields. In particular, we should begin to study and formulate a strategy and guiding principle for developing the western region. This is an important task for the time being. Over the past 30 years and more, the state has granted large quantities of funds, manpower, and materials to the western region for its development. This investment has brought about considerable achievements in construction. However, the economic efficiency of the investment in capital construction in general is not satisfactory enough; and the people's livelihood has not been improved rapidly, with many people having insufficient food and clothing. This state of affairs of course is attributed to various natural, historical, and social factors, but one of the important reasons is that there is a lack of theoretical preparation and scientific assessment for economic development in the western region.

The seminar on economic development in China's western region will discuss present and future questions concerning the economy of the western region in line with the principles and policies laid down by the party central leadership. During the meeting, various forms of contacts and dialogue between different regions will also be made. The interchange of opinions and ideas between government departments, academic circles, and economic units will powerfully promote the study of the theories and strategic principles for the development of the western region.

When making ideological and theoretical preparations for the development of the western region, we should also strengthen our propaganda work so as to give more information about the western region to the people throughout the country. We should tell them about the aspirations of the people in the western region for reform and opening up and for changing the long-standing backward situation, about their pioneering, dedicated, and hardworking spirit, and about the grand social system projects for developing the western region. Through propaganda work and work in other fields, we should actively create favorable conditions for promoting east-west cooperation in our country. At the same time, we will attract more strengthen and more talented people to join the work of studying and developing the western region. Thus, the western region will bring its advantages in the economy into full play in the national efforts for socialist modernization and will better shoulder the historical mission and become a fresh force in the Chinese nation's drive to realize the four modernizations.

#### Transportation as Key Factor

OW141638 Beijing XINHUA in English 1623 GMT 14 Aug 85

[Text] Lanzhou, August 14 (XINHUA) -- Transportation is a key factor and the problem must be tackled ahead of all others in the economic development of western China, experts attending a symposium on that region agree.

The symposium which opened on August 10 in Lanzhou, is concentrating on the strategy needed to develop the western part of China, where the focus of economic construction will be shifted at the end of this century.

The lack of transportation facilities is the main obstacle holding back economic development in the west. Western China is made up of 64 percent of China's mainland area and includes Shaanxi, Ningxia, Gansu, Inner Mongolia, Xinjiang, Tibet, Qinghai, Yunnan, Sichuan, Guizhou and Guangxi.

A complete railway network has not yet taken shape in this huge region and the highways, which at present assume the main transport task, are not of good quality. At least 3,000 townships in the area are not connected by roads.

Symposium speakers suggested that three major railways should be constructed during the Seventh "Five-Year-Plan" from 1986 to 1990 in western China. In the past 35 years, the Chinese Government has invested 18 million yuan on construction of 55 railway lines with a total length of 14,700 kilometers. Railways now reach every province and autonomous region in the west, except Tibet. During this same period, 363,000 kilometers of highways have been paved.

#### More Money Allocated for West

OW131656 Beijing XINHUA in English 1645 GMT 13 Aug 85

[Text] Lanzhou, August 13 (XINHUA) -- China will allocate 12 billion yuan in financial assistance to economically underdeveloped western China to help develop its economy and raise the standard of living there.

Western China covers an area of 6.15 million sq km, two-thirds of China's total, and 11 provinces and autonomous regions from Inner Mongolia to Tibet.

A financial official who is now attending a symposium on the development of western China said here today the financial assistance to the eight provinces and autonomous regions of Tibet, Xinjiang, Guangxi, Ningxia, Inner Mongolia, Yunnan, Guizhou and Qinghai will be increased by 10 percent every year. The official said the country's financial help to the relatively backward west is aimed at developing the economy and improving the standard of living there, as well as consolidating national unity and strengthening national defense.

He said 44 percent of the money will be used to develop agriculture, forestry and animal husbandry, 9.4 percent to develop rural communications and 10 percent to develop rural electricity. He said a number of reservoirs, small power plants, township factories, schools, highways, bridges, hospitals, and cultural and health facilities have been built with state funds in the west, which has poor communications and a weak economic base.

The official said a flexible policy will be applied in the western part of the country to promote commodity production there.

He said the state will concentrate its funds on developing agriculture, animal husbandry and township factories.



RENMIN RIBAO ON DEVELOPMENT OF RURAL INDUSTRIES

HK120921 Beijing RENMIN RIBAO in Chinese 29 Jul 85 p 5

[Article by Zuo Mu: "A Probe Into the Policy Guiding Town and Township Industries Under the New Situation"]

[Text] China's town and township industry has developed in an uneven manner and has undergone a tortuous and slow process. With the rapid development of agriculture and the national economy as a whole and the implementation of the policy of opening up to the outside world and enlivening the domestic economy since the 3d Plenary Session of the 11th CPC Central Committee, China's town and township industry has developed vigorously. In 1984 the output of the main town and township industrial products constituted a large percentage of similar products of the whole nation. The development of town and township industry has made a great contribution to the prosperity of urban and rural markets, agriculture and state construction, and the improvement of the people's lives. The problem at present is to appropriately run town and township industry under the new situation so that it can embark on the track of a sustained, steady, and coordinated development.

Town and township industry has begun to take shape in most of the localities. It has now entered the period of vigorous development in Jiangsu, Zhejiang, Guangdong, Shandong, coastal provinces and cities, and the suburbs of large and medium sized cities. With the rapid growth of the nation's industry, it is necessary to sum up the experience of the advanced areas, further straighten out the guiding principle, and vigorously support and strengthen guidance and regulation over town and township industry.

Strengthen Planned Guidance and Avoid Blindness

Are planned guidance and regulation necessary for town and township industry? Some comrades hold that town and township industry has developed spontaneously according to market supply and demand, so planned guidance is out of the question. In the past, town and township industry mainly used local materials, processed farm and sideline products, and marketed most of the products on the spot. With the development in recent years, many town and township industrial enterprises are located far from the sources of raw materials and the market and the scope of their exchanges has extended unprecedentedly. According to investigation findings, raw materials supplied to town and township industry in light of mandatory plans account for less than 10 percent, while the products marketed according to mandatory plans account for a little more than 10 percent. The production of bricks, tiles, sand, and lime, the processing of food, fodder, and garments using local raw materials, and the marketing of these products on the spot account for around 20 percent. The remaining 70 percent or so is located far from the sources of raw materials and the market. This shows that the production town and township industry is closely related to local, domestic, and international markets and its degree of socialization is increasing daily. If we fail to strengthen planned guidance under such conditions, it will lead to blindness in production and cause losses. Therefore, it is necessary to strengthen planned guidance over the area of mandatory planning as well as the section in which production is carried out by using local raw materials and the products are processed and marketed on the spot. In the course of development, it is necessary to maintain overall balance and give classified guidance in accordance with macroeconomic needs and at the same time strengthen regulation by means of taxation, credit, and other economic levers.

It is a pressing matter of the moment to control the scale of capital construction and make appropriate investment in light of different areas and industrial categories.

The projects under construction or expansion should be either developed or promptly closed down in accordance with the supply of raw materials, market demands, and investment returns and in order of importance and urgency. For example, the production of fodder, food, bricks, tiles, sand, and lime that uses local raw materials should be continued, while the processing industry that lacks raw materials should be duly controlled. Due to a great demand for trucks in recent years, a number of automobile assembling factories have emerged in town and township industry. These factories are technologically backward and their products are inferior in quality. Viewed from the overall situation, the production capacity of automobiles has far exceeded the plan. If we set up new factories like these or expand the capacity of the existing factories, it will inevitably cause appalling waste. Moreover, some localities have built an excessive number of small chemical fiber plants and woolen mills. Owing to shortage of raw materials and the sharp increase in market prices, the utilization of capacity has been limited. Some localities have built large numbers of new enterprises. But due to power shortages, the operation of new enterprises had to be ensured by cutting down the power supplied to the existing enterprises. Only by curbing the tendency of developing enterprises on a large scale and blindly expanding the capacity of production can we ensure the sustained growth of town and township industry and maintain a high speed in which better economic results are attained.

It is necessary to strengthen guidance over trades, readjust distribution according to different trades, and pay attention to economic patterns. Town and township industry has developed in light of its own conditions. Enterprises built in a relatively small scale and scattered everywhere is one of the characteristics and advantages of village industry. It would be difficult to talk about rational distribution and economic patterns at the early stage of the development of town and township industry. In the advanced areas however, the question of rational distribution and economic patterns is absolutely necessary and has been put on the agenda. Viewed from distribution, it would be reasonable for some trades to be run in the rural areas, such as the processing of machine parts, production of electronic devices and components, processing of food, farm and sideline products, and fodder, and so on. The dispersion of enterprises is conducive to the absorption of a local labor force. Some can use local raw materials and market the products on the spot. However, it would be inappropriate for the overdecentralization of certain trades, such as small blast furnaces, rolling mills, electroplating factories, and toxic chemicals which consume enormous energy, have a large volume of freight, and cause serious pollution. Only by developing medium sized electric furnaces, popularizing continuous casting and rolling mills, and setting up electroplating centers in the key towns or along the vital communication lines can we save energy and transport and prevent pollution.

In order to rationalize the question of distribution and patterns, it is necessary to strengthen planning and guidance over trades. At present urban industry and town and township industry are under the jurisdiction of different industrial management bureaus, which is actually a barrier created between different trades. As town and township industry has its specific characteristics, a special department should be set up to carry out management. In the course of reform, the principle of linking up urban and rural areas can be adopted and trade associations can be established to be responsible for their development plans, exchange of information, and technical consultation and services. A trade association can play a guiding role on the distribution and scale of that trade.

It does not have administrative binding force, but it can provide a policy-making basis for the government to apply credit, taxation, and other economic levers.

#### Rely Mainly On Self-Reliance To Solve the Problem of Funds

The banks should support town and township industry by granting credit. However, many localities have recently relied on large bank loans to expand the scale of their construction. This is of course abnormal. The loans granted to town and township industry in the first half of this year have already exceeded the annual plan, but many enterprises still have difficulties in capital turnover. If agricultural credit is excessively used to support town and township industry, it will cause an adverse influence on farm production. Our experience shows that town and township industry cannot follow the road of "relying on loans to run factories," but should rely mainly on its own accumulation and establish enterprise development and reserve funds.

In recent years, town and township industry funds have excessively been used to develop new projects, reward individuals, support the construction of small towns, and even to subsidize the administrative expenses of village organs. Some of these disbursements are reasonable but some unreasonable. We must check up on the disbursement items and establish a proper ratio.

While the total amount of credit is being curtailed at present, the enterprises of different trades should be dealt with in different ways. With regard to the enterprises that can create better economic results, we must consider their actual needs, provide them with incidental expenses, and help release their worries and difficulties. The banks can transfer some funds and grant loans to them at a relatively high interest rate. Meanwhile, the funds saved from the suspension of some projects can be offered to the enterprises that badly need them by means of joint operation or mustering funds. It is necessary to extend the decision-making power of town and township industrial enterprises and cut down the amount of regulatory funds delivered to village governments or industrial companies. The funds excessively arranged by the higher levels usually encourage the development or expansion of projects on a large scale. Only by keeping large amounts of funds within enterprises can it be conducive to technical transformation, upgrading of equipment, and revamping of the existing enterprises.

Town and township governments should carry out overall planning and construct small towns in a step by step manner with the stress on key points. Instead of vying with one another, the construction of small town facilities should be carried out gradually according to the capability of the localities concerned.

The wage level in town and township industries should be raised in a planned manner and wage funds should have some money in reserve so as to make up for a lean year with a good year and prevent drastic fluctuations. In recent years, the localities where wages have increased remarkably should slow down their growth rate. In order to implement the principle of distribution according to work within town and township industrial enterprises, the gap between the wages of cadres and workers should not be too wide. Except for the people who have performed meritorious service, bonuses must not be excessively issued and the contract targets must not be too low.



While making efforts to attain better economic results, we can certainly ensure the transformation and development of town and township industry by relying mainly on its own funds and maintain a rational growth rate by duly regulating the accumulation and distribution policies, gradually increasing enterprise accumulation, and adopting the measures of pooling funds and carrying out joint operation.

#### Develop Agriculture and Industry on the Basis of Agriculture

Naturally, a certain amount of land will be used in the development of town and township industry and the construction of small towns. It would be impossible not to occupy land. However, in some villages where industry has developed rapidly, the waste of land is appalling. Some town and township factories do things in style and occupy a large amount of land to build offices and guesthouses. As some peasants wish to give up farming, certain localities have adopted the method of recruiting workers with their land share. Thus, they can requisition land without hindrance. Although the local governments made strict stipulations on application procedures, they were a mere formality. Some tried by every means to practice fraud and evade examination and approval. Consequently, this aggravated the problem of a sharp decrease of farmland.

In order to protect land resources, it is necessary to seek unity in guiding ideology. Some comrades hold that the problem of agriculture is already solved and huge profits can be made in town and township industry. Provided industrial production has developed, it is worthwhile to purchase grain to make up the delivery quotas. In fact, running industry on the basis of agriculture has been and is still the fundamental guiding ideology for town and township industry. If the factories are set up in the rural areas, the laborers are workers as well as peasants. They do not have to consume ration grain. In addition, they do not need workers' dormitories and other basic facilities as in the urban areas. Thus, the investment for running factories and production costs can be curtailed by a big margin. Moreover, many town and township industrial enterprises have taken it as their responsibility to offer pre- and post-agricultural production services. Using local materials and processing and marketing the products on the spot can promote agriculture as well as expand industry itself. When town and township industry was resumed in the early 1970's, Jiangsu put forward the slogan "develop industry centered on agriculture and promote agriculture with industry." It seems that this slogan is still correct. After making considerable headway, although town and township industry should not restrict itself to using local materials and processing and marketing the products on the spot, taking agriculture as the foundation and serving agriculture are still the characteristics and advantages of town and township industry. If we ignore agriculture and even indiscriminately waste land resources because of certain development of town and township industry, it will eventually lead to grave consequences.

In order to protect land resources, it is also necessary to adopt economic and administrative means. For example, we can impose taxes or charges on the use of land. The tax rates or charges should not be too low. Money collected in this way can be handed over to the local government to subsidize farmland capital construction. Since the Chang Jiang and Zhu Jiang deltas are high-yield agricultural areas and every inch of land counts, heavy taxes should be imposed for the use of land there. Those who requisition land but put it aside after requisitioning and even try to practice fraud and evade examination should be punished according to law.

The rural areas are now stepping up efforts to readjust the agricultural setup. After eliminating the defect of one-crop farming, many villages and specialized households have become rich by developing diversified economies.

This is a gratifying phenomenon. The one-sided approach to the policy of "taking grain as the key link" and the low prices of grain and farm products in the past gave rise to the saying "no affluence without labor." From now on, we must publicize the experience of town and township industry in taking the road to prosperity as well as the experience of rural areas in becoming rich by developing diversified economies and tertiary industry, and eliminate the idea that regards industry as superior to agriculture. As agriculture is an independent industrial sector, only by valuing and protecting land resources can we maintain simultaneous growth of industry and farming and can we encourage industry and agriculture to help each other forward instead of using industry to replace agriculture.

#### Insist On Technical Progress and Make New Headway

At the early stage of the development of town and township industry, it is correct to do things simply and thriftily in line with local conditions and to put the stress on labor intensive industries and products. After making some headway, more attention should be paid to the technical transformation and upgrading of the existing enterprises. Some town and township industrial enterprises with solid foundations have blazed new trails in this respect. Many enterprises have strengthened their technical forces by establishing close contacts with universities, colleges, and scientific research units and inviting technical personnel and talented people to work with them or sending students to receive training in universities, colleges, and scientific research units. Now they can manufacture quality outer parts for calculators, microcomputers, and other precision products. Some enterprises have also undertaken the task of producing export goods. Facts have proved that town and township industrial enterprises should and can adhere to the principle of technical progress.

Owing to great demand in recent years, some inferior products are also marketable, thus encouraging the tendency to concentrate on quantity, irrespective of quality. Due to the rapid development of the processing industry, outmoded lathes that should be eliminated are still being manufactured in large quantities. Due to steel and pig iron shortages, small rolling mills, electric furnaces, and blast furnaces have also developed considerably. The town and township industrial enterprises are usually the units that manufacture and use the backward equipment, thus repeating the cycle of production at a relatively low level. To sum up, the state of large investment but low output of town and township industry has not been fundamentally changed.

In order to expand the reproduction of town and township industry on the basis of technical progress, besides adopting macroeconomic policies to control demand, it is necessary to adopt some specific measures. For example, we must sum up and popularize the successful experience of the advanced areas, relying on technological progress to develop new products and improve quality. While evaluating the achievements of town and township industry, the technical progress targets should be taken into account. Preferential treatment in credit and taxation should be offered to the projects undergoing technical transformation and the enterprises that are developing new products. We must formulate certain technical standards in light of different trades and localities and impose restrictions on the enterprises that produce inferior goods and use outdated equipment. We must be definite in our guiding ideology: Only by expanding reproduction under the conditions of technical progress, upgrading products, and improving quality can town and township industry meet the challenge of the new technological revolution and have bright prospects.



ROLE OF MINORITY NATIONALITIES IN MODERNIZATION

HK121218 Beijing GUANGMING RIBAO in Chinese 29 Jul 85 p 3

[Article by A La Tan: "Correctly Handle the Relations Between the Problem of Nationalities and the Modernization Program" -- capitalized passages published in boldface]

[Text] Correctly handling the relations between the problem of nationalities and the four modernizations program will have a direct bearing on smoothly creating a new situation in the socialist modernization program and attaining the magnificent goals of the four modernizations. Correctly solving this problem is not merely a task for the regions inhabited by minority nationalities and departments in charge of nationalities affairs, it is a matter of primary importance that is connected with the entire party and the whole country. To handle this issue well, we should devote our main efforts to solving the following theoretical and practical problems with both matters in mind.

L. THE PROBLEM OF NATIONALITIES SHOULD BE SOLVED IN LIGHT OF THE CENTRAL TASK OF THE MODERNIZATION PROGRAM. During the period of the proletarian revolution, it was a part of the general issue of the proletarian revolution. At present, the realization of the socialist four modernizations program "is a great revolution in that China's economic and technological backwardness will be overcome and the dictatorship of the proletariat further consolidated." ("Selected Works of Deng Xiaoping," p 125) The problem of nationalities is also a component part of this great revolution. The "needs of minority nationalities" and their "national interests" should be subordinated to this great revolution and to the demands of the four modernizations program. If we deviate from this central task, it will surely be impossible to solve the problems of nationalities well.

Lenin maintained that the more backward a country is, the more rigid a small-scale peasant production, patriarchal clan system, and closed-door policy it pursues. This will inevitably give rise to the most arrogant petty-bourgeois prejudices. In other words, in this country, national egoism and narrow nationalism are particularly stubborn and strong. Such prejudices can be overcome only after imperialism and capitalism in various advanced countries have been wiped out and the base of the entire economic life of various backward countries has been drastically changed. This tells us that the abolition of the backward ideology in regard to the problem of nationalities is determined by the development of revolution and construction.

Various nationalities do not exist in isolation. As long as various nationalities live together in a country, they have countless ties in terms of economies, laws, habits, and customs. Of course, various nationalities have their own characteristics, and these will be retained for a long time. Therefore, the problem of nationalities has its own characteristics. However, a nationality's politics, economics, and culture do not exist in isolation. They are not divorced from the politics, economics, and culture of the whole country. It is impossible to solve the problem of nationalities by separating it from the politics, economics, and culture commonly shared by various nationalities throughout the country.

Consolidating and developing socialist politics, economics, and culture is the common aim of various nationalities. It is also where the fundamental interests of various nationalities lie. "Nationality interests" and the "needs of nationalities" should be subordinated to this common and basic task and to fundamental interests.

To ensure the prosperity and development of various nationalities and overcome the de facto inequality among nationalities left over from history, the only path we should follow is to develop the economy, culture, science and technology of various nationalities. Without a modern economic foundation, it is impossible to completely eradicate the poverty and backwardness of minority nationalities and thoroughly overcome the inequality among nationalities. We should bring nationalities affairs work in line with the general tasks and aims of socialist modernization.

In the process of promoting the modernization program, areas inhabited by various nationalities and the various nationalities themselves should subordinate their interests to the overall interests of the whole country. They should avoid and overcome the practice of paying attention to the differences between various nationalities alone. They should not neglect the objective trends of development and the idea that there are more and more things in common among various nationalities. They should avoid and overcome the idea of placing undue stress on the characteristics and demand of nationalities. They should avoid and overcome the trend of paying attention to the interests of their own region at the expense of the overall interests of the whole country. They should avoid and overcome the practice of being reluctant to give up those things that block the progress of various nationalities. They should avoid and overcome the narrow and conservative ideas and behavior that resist new things and new technology. They should actively contribute to the modernization program of the whole country.

2. WE SHOULD ESTABLISH THE IDEA THAT OURS IS A MULTINATIONAL COUNTRY, AND ATTACH IMPORTANCE TO THE PROBLEM OF NATIONALITIES.

In a multinational country like ours, the problem of nationalities is always very important. Our party has paid special attention to it. Since the 3d Plenary Session of the 11th CPC Central Committee, we have worked out a number of policies that are beneficial to speeding up the economic and cultural development of regions inhabited by minority nationalities, exercising autonomy rights, promoting unity and equality among nationalities, and enhancing the common prosperity of various nationalities.

In his report delivered at the 12th CPC National Congress, Comrade Hu Yaobang explicitly pointed out: "To a multinational country such as ours, various nationalities is a matter of primary importance that concerns the destiny of our country."

To attach importance to the problem of nationalities in the course of promoting the socialist modernization program, we should first of all attach importance to the characteristics of various nationalities. We should carry out our work in light of the specific conditions in the regions inhabited by minority nationalities. Due to historical reasons, regions inhabited by minority nationalities generally have more striking peculiarities and characteristics than other regions. Under the guidance of the general line of the party for the new period, to accomplish our general tasks and attain our general targets, we should adopt various ways and methods in light of the characteristics and specific conditions of various regions inhabited by minority nationalities and by various different nationalities, in order to give play to their wisdom, ability, enthusiasm, and creativity for socialist modernization. We should fully unfold and carry forward the excellent cultural traditions of various nationalities, and give full play to the strong points of various regions inhabited by different minorities. In so doing, we will speed up socialist modernization, promote the prosperity and development of various nationalities, and enrich the contents of building socialist material and spiritual civilizations. The work itself also embodies the principle of ample socialist democracy and equality, among nationalities.

Furthermore, to attach importance to the problem of nationalities, we should vigorously train more cadres, scientific and technical personnel, and workers of the minority nationalities. Under the present situation, in which regions inhabited by minority nationalities are backward economically and culturally, energetic support provided by the state and other advanced regions is indispensable. We should help various minority nationalities so that they can walk on their own legs and carry forward the spirit of self-reliance and hard work. When the state makes use of and exploits natural resources in the regions inhabited by minority nationalities, it should take into account the interests of the local people. Our country's Constitution has an explicit stipulation on this issue. In the past, some enterprises failed to pay sufficient attention to this. First, they failed to take into account the production and livelihood of the masses of minority nationalities. Second, they failed to recruit more workers from the local minority nationalities. With the development of the four modernizations program, the state will use and exploit more natural resources in the regions inhabited by minority nationalities and establish more and more enterprises in these regions. If we fail to solve these problems well, it will be detrimental to the construction of the entire country and to the prosperity and development of the regions inhabited by minority nationalities.

In the meantime, we should realize that helping minority nationalities promote their development and prosperity is in line with the interests of the state as a whole. The help among various nationalities is mutual. Comrade Mao Zedong said: Helping various minority nationalities promote their development and progress is also in the interests of the entire country. (RENMIN RIBAO, 29 June 1954)

Our national economy will be in a bad way without the progress of the economy of minority nationalities. Why? There are two important reasons for this: 1) The regions inhabited by minority nationalities account for 60 percent of the total area of the whole country. These regions are rich in natural resources. The area of grasslands in national autonomy regions accounts for 89.6 percent of the total area of grasslands of the whole country. The capacity of their waterpower resources accounts for 52 percent of the total capacity of the whole country. In addition, they are rich in metal and nonmetal mineral resources and various wild animal and plant resources.

Socialist modernization of the whole country will suffer without these resources. Without the modernization of regions inhabited by minority nationalities, which account for 60 percent of the total area of the whole country, and the modernization of more than 50 minority nationalities, it will be impossible to realize the modernization of the whole country. The party and people's government have paid very close attention to the construction in the regions inhabited by minority nationalities and have vigorously assisted and helped them in terms of financial and material resources. It is obvious to all that these regions have achieved marked results in their construction. These regions and the people of various minority nationalities have made contributions to the state.

Under the leadership of the party, as long as we integrate the strong points of the regions inhabited by the Han nationalities, which are characterized by a large population and advanced economic and cultural conditions, with the strong points of the regions inhabited by minority nationalities, which are characterized by vast territories and abundant resources, and give full play to the enthusiasm and creativity of the people of various nationalities, we will surely be able to greatly promote the overall economic and cultural development and prosperity of the regions inhabited by minority nationalities and greatly speed up the progress of the modernization program throughout the country.



SUSPENDED SCIENCE MAGAZINE RESUMES PUBLICATION

HK091146 Beijing ZHONGGUO XINWEN SHE in Chinese 1342 GMT 6 Aug 85

[Text] Shanghai, 6 Aug (ZHONGGUO XINWEN SHE) -- KEXUE magazine, the earliest comprehensive periodical on science in China, has recently resumed publication after 25 years of suspension.

KEXUE magazine was initiated and established in 1915 by Chinese youths studying in the United States, including Hu Mingfu, Zhao Yuanren, Zhou Ren, Bing Zhi, Zhang Yuanshan, Guo Tanxian, Jin Bangzheng, Yang Guan, and Ren Hongjuan. Mr Yang Xingfu was the first chief editor of KEXUE magazine. Edison, the renowned inventor, sent a congratulatory letter saying that "science has reached China."

Famous Chinese scientists such as Zhu Kezhen, Mao Yisheng, Yan Jici, Wu Youxun, Li Siguang, Zeng Zha-lun, Tong Dizhou, and Zhang Changshao; as well as Chinese-American academics including Li Zhenpian and Chen Shengshen were then members of the editorial committee of KEXUE magazine, or its editors. As soon as Hua Luogeng's first article entitled the "Reasons Why Su Jiaju's Solution to the Quintuple Algebraic Equation Does Not Hold Water" appeared in issue No 2 of volume 15 of KEXUE magazine, it was discovered by Xiong Qinglai, a professor of mathematics. Subsequently, he asked Hua Luogeng to work in Qinghua University. Thus, a science star began to display his talent.

Now Zhou Guangzhao, vice president of the Chinese Academy of Sciences, is chief editor of KEXUE magazine. Well-known scientists including Qian Sanqiang, Qian Weichang, Su Buqing, Tan Hiazhen, Gu Chaohao, and Chen Zhongwei constitute the editorial committee. Chinese-American academic Chen Shengshen is honorary member of the editorial committee.

In issue No 1 of the magazine, on resumption of publication, there is a special article by Professor Fang Lizhi on the emergence of the first motive force in the universe. Also in this issue is the article "Chinese Characters and the Brain," describing the strongpoints of Chinese characters.

TYPHOON NO 8 EXPECTED TO CAUSE TORRENTIAL RAINS

OW141439 Beijing Domestic Service in Mandarin 1200 GMT 14 Aug 85

[Text] The Central Meteorological Station issued a typhoon report at 1800 [1000 GMT] today. It says: The center of this year's typhoon No 8 hit the northern coast of the Korean peninsula this afternoon. At 1400 [0600 GMT], the typhoon's center was located at 39.7 degrees north latitude and 125.3 degrees east longitude. The maximum winds near the typhoon's center were force 9. The typhoon is expected to continue on a northeasterly course and will gradually become a depression. Areas to be affected by the typhoon tonight and tomorrow will be the eastern parts of Liaoning, Jilin, and Heilongjiang Provinces, where there will be heavy or torrential rains. In some local areas, there will be cloudbursts.



SHANGHAI MAYOR ON FOREIGN ECONOMIC COOPERATION

HK140639 Beijing ZHONGGUO XINWEN SHE in Chinese 1408 GMT 12 Aug 85

[Text] Shanghai, 12 Aug (ZHONGGUO XINWEN SHE) -- Shanghai has to date absorbed more than \$1 billion of foreign investment, while the establishment of 119 joint ventures, cooperation enterprises, and solely foreign investment has been formally approved. The above figures were disclosed by the newly appointed Shanghai Mayor Jiang Zemin to this agency's reporter.

A few years back, Jiang Zemin was in charge of the work of the special economic zones [SEZ] while working in the State Economic Commission Import and Export Bureau. He has on several occasions inspected the SEZ's, and has twice visited Hong Kong. Therefore, he has become acquainted with several personages in Hong Kong industrial and commercial circles. Talking about Shanghai's foreign economic cooperation, he said with a smile that when former Shanghai Mayor Wang Daohan left office, he became adviser to the Shanghai Municipal Government. The change in the personnel of the municipal government will not affect the implementation of the policy of opening up to the outside world. He said that he would like to ask the personages of the industrial circles in Hong Kong as well as in all countries to be at ease on this point.

According to Mayor Jiang, the key to the development of foreign economic relations and trade lies in the adoption of a policy of mutual benefit by the two parties concerned. The two parties involved in a business deal should not just think about what is favorable to themselves. Considering only one's self without considering the benefit of the other party will not result in a good deal, and business will not last long even if a deal is made.

Shanghai is a city with a strong industrial base. Not only has it absorbed a large amount of foreign investment, but it has begun to make investments abroad. By the end of June 1985, Shanghai had had the establishment of 13 overseas joint ventures approved, of which 7 are already in operation, including the Xinya pharmaceutical factory in Hong Kong and the Qingchang foodstuff factory in Canada. Since he took office in Shanghai in June, Jiang Zemin has conducted investigation and research on the present economic condition in Shanghai. He holds that for those who are genuinely willing to invest in China, Shanghai is a rather ideal investment environment. Shanghai is industrially developed, and has a rather complete industrial system with more than 150 industrial trades. It is strong in forming complete sets, having almost all units working in coordination. In addition, it has a very good science and technology force and an ample supply of labor resources. Moreover, Shanghai has a harbor, docks, and a network of highways linking it with all parts of the Shanghai economic sector, and it has a broad hinterland for dispersion. Of course, he pointed out, Shanghai is still weak in its infrastructure in its municipal construction. Shanghai will make use of local financial resources to strengthen its infrastructure, in order to create a still better investment environment. The Minhang new district is making good progress in development. Minhang is one of China's industrial bases for generating equipment. It is not far from Shanghai City proper and has a strong science and technology base. At present, a Shanghai-Hong Kong joint venture, the Shanghai Universal Toy Manufacturing Company Ltd has built a factory there, which has already been put into production. The American Xerox factory has already drafted a contract and plans to build its factory there.

In conclusion, Mayor Jiang expressed his great hope for cooperation between Shanghai and Hong Kong. He stated that they would do a good job in Shanghai's economy, and would more powerfully support the economic cooperation between Shanghai and Hong Kong as well as all other countries.

SHANGHAI ORGANS ISSUE ECONOMIC GUIDELINES

OW141155 Shanghai City Service in Mandarin 0100 GMT 14 Aug 85

[Text] The Shanghai Municipal CPC Committee and People's Government recently put forward a number of views on arrangements for improving some current economic tasks. The guidelines of their views are: Continuously adhere to the guiding principles of being steadfast, being prudent in fighting the first battle, and being sure to win; ensure the smooth progress of the current economic restructuring and other reforms; promote economic growth at a sustained, stable, and coordinated pace; bring about much better economic results in various sectors; gradually improve the people's living standards on a stable basis; and bring about a fundamental turn for the better in public order and in the standards of social conduct.

These views contain the following 10 points on the current work:

1. Attach great importance to improving the quality of products and promoting safety in production.
2. Help producers effectively use raw materials whose prices have been increased.
3. Develop rural commodity production.
4. Keep the markets stable, prosperous, and brisk.
5. Exercise effective supervision and control over the market prices.
6. Create various conditions for promoting export to earn more foreign exchange.
7. Firmly control the amount of credit loans and use capital funds in a flexible way.
8. Quickly improve the congested transport situation by speeding up inland and seaport operations first.
9. Step up housing construction and improve urban public utilities.
10. Accelerate the pace of current reforms step by step.

LIANG XIANG OUTLINES SHENZHEN GROWTH FOR PLA LEADERS

HK141037 Guangzhou YANGCHENG WANBAO in Chinese 10 Aug 85 p 1

[Report by Zeng Fuxing: "Liang Xiang Talks About Shenzhen at the Invitation of Guangzhou Military Region"]

[Text] This morning, at the invitation of Guangzhou Military Region, Liang Xiang, secretary of Shenzhen City CPC Committee, delivered a report on the situation concerning Shenzhen's construction to more than 1,400 representatives of the leading bodies of Guangzhou Military Region and the Army, Navy, and Air Force stationed in Guangzhou.

In his report, Comrade Liang Xiang cited a lot of facts to show the great achievements made by the Shenzhen Special Economic Zone since it was established 5 years ago.

-- Import trade has been invigorated. In the past 5 years, businessmen from more than 50 countries and regions have come to the Shenzhen Special Economic Zone to invest in various projects in the Shenzhen Special Economic Zone. The Shenzhen Special Economic Zone has directly absorbed foreign funds worth more than \$600 million, which accounts for one-seventh of the total amount of foreign funds directly absorbed by the state in the corresponding period. The Shenzhen Special Economic Zone has also imported more than 30,000 sets (complete sets) of various advanced equipment. And some of the equipment has already been transferred to the hinterland. So the Shenzhen Special Economic Zone has initially played its role as a "window of technology."

-- The reform of the economic structure has made new progress. In recent years, as a "testing ground" for the reform of the economic structure, the Shenzhen Special Economic Zone has initially reformed the planning administrative structure, the administrative structure of capital construction, the structure of circulation, the structure of finance, the price system, the work system, the wage system, the cadre personnel system, and so on and so forth. In addition, inviting tenders for capital construction projects, using bank credit to raise funds for capital construction, and working under the contract system have been confirmed as successful experiences that have been spread to the hinterland.

-- Economic construction has been advancing steadily. In recent years, the Shenzhen Special Economic Zone has carried out on a large scale capital construction focusing on the facilities of the Shenzhen City Government, and has initially created a good investment environment. Five industrial areas-- Shekou, Shangbu, Bagualing, Shuibei, and Shahe -- have now been established. There are now more than 600 factories in Shenzhen, which can produce scores of products. Some of the products produced in Shenzhen sell well on the international market. Last year, the total industrial output of the Shenzhen Special Economic Zone was 1.8 billion yuan, an increase of 2,900 percent over that in 1979, when the special economic zone was not yet established.

-- The living standard of the people has been greatly raised. Last year, the per capita national income of the Shenzhen Special Economic Zone reached \$1,000. More than 80 percent of the peasants on the border built new houses last year. Before the Shenzhen Special Economic Zone was established, many people left Shenzhen for other areas. But now this situation has been reversed. Up to now, more than 1,000 people from Hong Kong have settled in Shenzhen.

--The building of spiritual civilization has continuously been strengthened. At present, the broad masses of people in the Shenzhen Special Economic Zone are in high spirits and are working very hard. More than 70 percent of the young workers have taken part in the book-reading activities called "vigorously developing China." They talk about ideals, observe discipline, acquire knowledge, and study their professions. The special economic zone has maintained good public order and a new generation of people is growing up in Shenzhen.

After talking about the above achievements by Shenzhen, Comrade Ling Xiang said emotionally: "The Shenzhen Special Economic Zone's practice over the past 5 years shows that the policy of opening up adopted by the CPC Central Committee is correct and successful."

In his report, Comrade Liang Xiang also talked about the policy and task of the future development of the Shenzhen Special Economic Zone: to rely on the hinterland, to serve the construction of the four modernizations, to face Hong Kong and Macao, and to enter the world and build Shenzhen into a comprehensive special economic zone, with the stress on industry and with an open economy, as soon as possible.

You Taizhong, commander of Guangzhou Military Region, and Zhang Zhongxian, political commissar of Guangzhou Military Region, attended today's meeting. You Taizhong also spoke at the meeting. He asked the officers and soldiers of the Army to modestly learn from the people of the special economic zone, to apply the experience of the special economic zone to Army construction, and to make practical contributions to the construction of the special economic zone.

Liu Anyuan, Li Xilin, Zhang Mingyuan, Chi Yunxiu, and other leading comrades of Guangzhou Military Region and responsible comrades of the Headquarters, the Political Department, and the Logistics Department of Guangzhou Military Region also attended the meeting. Wu Kehua, member of the CPC Central Advisory Commission, who is now in Guangzhou, Deng Yifan, Jiang Lindong, Lai Chunfeng, and other veteran cadres of the former leading bodies of Guangzhou Military Region and the responsible comrades of the relevant units of the Army, Navy, and Air Force stationed in Guangzhou also attended today's meeting.

#### RENMIN RIBAO ON DIFFERING VIEWS OF SHENZHEN STRATEGY

HK141230 Beijing RENMIN RIBAO in Chinese 9 Aug 85 p 5

[Article by Liu Gyoguang: "The Strategic Objective of Developing the Shenzhen Special Economic Zone."]

[Text] With regard to the strategic objective of developing the Shenzhen Special Economic Zone [SEZ], there are different views insofar as the orientation of opening up the Shenzhen SEZ, selecting the key points of its industrial structure, and selecting technological projects for development are concerned. Analyzing these views will be helpful to deciding on the developmental strategy of the Shenzhen SEZ.

#### The Orientation in the Opening Up of the Shenzhen SEZ

In regard to the orientation in the opening up of the Shenzhen SEZ, there are three different views: "introversion," the "double track" and "extroversion."

It should be pointed out that no one has definitely suggested building the Shenzhen SEZ with an "introverted" economy. However, some people are unaware that they hold such a view. This is a problem of understanding.



Some comrades have definitely suggested building the Shenzhen SEZ with an economy of a "double track" nature. These comrades maintain that since the Shenzhen SEZ is a pivot point of industrial and commercial contacts between China and foreign countries, it should process materials from the hinterland for export and sell some of the parts and components they assemble from abroad to other areas of the country. Therefore, Shenzhen's economy should be of a "double track" nature. This view actually means that Shenzhen should bring into play its pivotal role between China and foreign countries. I deem it inappropriate to sum up an economy with a pivotal role as an economy of a "double track" nature or to generalize it as an economy of an "opening up" nature. The phrase "opening up" is a borrowed phrase in its application to domestic economic relationship. In its original sense, the opening up policy refers to opening up to the world and not to the hinterland. The SEZ economy is a product of the policy of opening up to the world and not a product of the policy of breaking the separation of departments from regions. Only when the Shenzhen SEZ is built into a zone with an economy of an extroversion nature can it fulfill its special mission in the course of China's opening to the world, that is, the mission of bringing into play the role of a window in four aspects and its pivotal role between China and foreign countries. Therefore, the Shenzhen SEZ should be built strictly in line with the requirements of an extroverted economy. It is inappropriate to use confusing concepts such as an economy of a double track nature and an economy of an opening-up nature.

The Shenzhen SEZ is in the forefront of opening up to the world. Not only is it markedly different from ordinary areas in the hinterland, but it also has a higher degree of extroversion than the open coastal cities. What are the symbols of the extroversion of the Shenzhen SEZ? There are three symbols: First, its capital should come mainly from abroad. Foreign capital should account for 50 to 60 percent of the total investment in industry. Second, its products should mainly be exported and the exported products should gradually account for 70 percent of the output value of its enterprises. The 30 percent of its products sold on the domestic market should be produced by the technology provided in exchange on the market. Third, a favorable balance of payments should be maintained in its import and export trade.

#### The Selection of the Key Points in Its Industrial Structure

The selection of the key points in its industrial structure is quite an important problem in regard to the strategic objective of developing the Shenzhen SEZ. There are different views such as "taking agriculture as the dominant factor," "taking trade as the dominant factor," and "taking industry as the dominant factor," all of which boil down to "attaching importance to commerce or to industry."

The view of "taking agriculture as the dominant factor" is based on the idea that Shenzhen has a poor economic base and lacks technology, talented people, and resources. Therefore, it should not take industry as the dominant factor but should make full use of the favorable conditions provided by Hong Kong and the land resources provided by Baoan County to vigorously develop the planting, breeding, and fishing industries; to provide the Hong Kong and Southeast Asian markets with agricultural, animal husbandry, and fishery products; to increase income from exports; and to advance domestic and foreign trade, light industry, and tourism. Those who hold this view can see the important role of agriculture in Shenzhen's economic development and aim at turning Shenzhen's agriculture into an export agriculture. In addition, with the full application of modern agricultural technology, Baoan County will have great potential for developing an extroverted agriculture. This view has some commendable points, as it also stresses reliance on the Zhu Jiang delta and taking the road of trade, industry, and agriculture. However, only a few people hold this view, as Shenzhen has limited acreage for agricultural production and will not be able to play the role of a window if it takes agriculture as the dominant factor.

Those who hold the view of "taking trade as the dominant factor" are more numerous than the former and have the same reasons as the former for opposing the view of taking industry as the dominant factor. They say that Shenzhen should make full use of the favorable conditions provided by Hong Kong, which is an international trade, financial, tourism, shipping, and information center, to vigorously develop the import trade and entrepot trade and to turn Shenzhen into a large commercial city with extensive domestic and foreign contacts and into an international trade, shopping, banking, and tourism center. This will help develop the processing industry and technology trade and will enable Shenzhen to make a lot of money and to play the role of a window. They also say that in dealing with the urban industry, which is a "secondary industry," one should not lose sight of the "tertiary industry," that is, commerce, banking, tourism, and the service trades, which play an increasingly important role in modern economics. Some comrades maintain that since Hong Kong views trade as the dominant factor in its development, Shenzhen should also take this road. These comrades can understand the special impetus foreign trade produces for Shenzhen's economy.

However, in proposing the view of "taking trade as the dominant factor," that is, taking export trade and entrepot trade as the dominant factors, they actually treat Shenzhen merely as a free trading zone or a free port. Although they also refer to technology trade, they look upon technology merely as the object of trade, without considering how to select and digest technological projects for Shenzhen's industrial base. Therefore, this view will make it difficult for Shenzhen to fully play the role of a window. As a window, Shenzhen enjoys the factors of being a free trading zone, a free port, an export processing zone, an "industrial garden," a "science garden," and a "zone for technological exploitation." Therefore, it is inappropriate to look upon Shenzhen merely as a free trading zone or to build Shenzhen into a large commercial city that merely stresses import and export trade or entrepot trade. Hong Kong is an example: Prior to the 1960's, Hong Kong relied on entrepot trade, as its economy did not have distinguishing features. Hong Kong's economy took off and matured after the rapid development of the manufacturing industry in the 1960's and the 1970's. Although Hong Kong is now an international trade center, it is very difficult to say that it "takes trade as the dominant factor," as Hong Kong's largest industrial branch is the manufacturing industry. Its industrial products account for over 60 percent of the total trade volume, and the manufacturing industry is the basis for Hong Kong's economic and trade development.

The correct method for Shenzhen's economic development is to "take industry as the dominant factor." First, only by taking industry as the dominant factor, developing advanced technology in a selective manner, and building a solid industrial base can Shenzhen bring into full play its role as a window in introducing technological knowledge and managerial experience. Second, only by taking industry as the dominant factor can Shenzhen lay a solid material basis for its trade and economic development. Otherwise, Shenzhen's economy will be very weak. Third, Shenzhen's favorable strategic position has enabled it to fully use domestic and foreign resources and markets, to solve the problem of a lack of resources, technology, and talented people, and to develop its industry. A poor base is not an insurmountable obstacle in industrial development. The problem does not lie in what its original industrial base was, but in whether it has the conditions for developing industry and in what policy it will adopt.

It should be emphatically pointed out that by taking industry as the dominant factor in developing Shenzhen's economy, we do not mean that we can overlook or belittle trade. We should not overlook commerce while attaching importance to industry. Trade, foreign trade in particular, has a particularly important bearing on the SEZ's economic development. Shenzhen is poor in resources and its market is limited.

Without the support of domestic and foreign resources and markets, its industry cannot develop. Shenzhen's industrial products are produced not to meet the needs of the Shenzhen market, but for export and in exchange for advanced technology and equipment. In its industrial production, Shenzhen requires the help of the international market for market and technological information. Taking industry as the dominant factor is, in the final analysis, aimed at catering to the industry of the international market. Therefore, insofar as the developmental pattern of the SEZ is concerned, it is not adequate just to "take industry as the dominant factor." It is necessary to pay close attention to developing trade, in particular foreign trade, in such a manner that industry and trade will undergo simultaneous development when "industry is taken as the dominant factor." In addition, because of its location, the Shenzhen SEZ has favorable conditions for developing trade. In implementing the principle of taking industry as the dominant factor, it is necessary and feasible to fully utilize these favorable conditions to develop import and export trade.

Is it necessary for Shenzhen to develop entrepot trade and to become an international and domestic shopping center? There have been different views for many years on this question. Since Shenzhen borders on Hong Kong, is a port for import and export, has a deepwater port in the Dapengwan Bay which has favorable conditions, has good prospects, and has direct links with domestic and foreign ports, it is unreasonable to forbid Shenzhen from developing entrepot trade. If the problem is with the percentage of income to be retained from foreign exchange and the distribution of profits, we should readjust the relationships of interests rather than block the circulation channel. We should also be aware that over the past few years, some units have availed themselves of the preferential conditions of the SEZ to develop import and entrepot trade in an abnormal way. This must be strictly forbidden. As Shenzhen is superior to Hong Kong in terms of geographical position, land, labor force, and prices, it has bright prospects for becoming an international shopping center attracting foreign tourists. It is inappropriate to simultaneously turn Shenzhen into a shopping center attracting domestic buyers, as this does not correspond with the requirements of an extroverted economy.

#### The Selection of Technological Methods for Developing Products

In regard to the selection of technological methods for developing products, some people are in favor of a labor-intensive method and others are in favor of a technology and knowledge-intensive method. Products produced by the labor-intensive method are still in a favorable situation on the international market, and for a period of time we can continue to develop some competitive products. For Shenzhen to play the role of a window in four aspects, particularly in the aspects of technology and knowledge, the labor-intensive method should not be taken as a strategic method for development. If Shenzhen wants to play the role of a window in the aspects of technology and knowledge, it is necessary for it to take the technology and knowledge-intensive method as its developmental strategy and to put the application of advanced technology in a very important position. Because the United States and Japan employed a policy of keeping China at a distance for 5 to 10 years and Shenzhen is lagging behind many cities in terms of science, technology, and industry, it is comparatively difficult to establish technology and knowledge-intensive industry in Shenzhen.

It seems that by the end of this century, a technology and knowledge-intensive industry or an industry with a high degree of science and technology will constitute an important but not overly large proportion of Shenzhen's entire industrial and production structures. Its traditional industry, which will undergo modernized technological transformation, will constitute an important and large proportion of its industrial and production structures.



Developing advanced technology and industry takes time and requires certain conditions. It seems that Shenzhen will undergo a transitional period in which its traditional industry coexists with a newly emerging industry, as well as a transitional period from a labor-intensive industry to a technology and knowledge-intensive industry, following which an advanced technological structure will gradually be established. We should do our best to speed this process.

According to the guidelines for building the Shenzhen SEZ and in light of its strategic position, the strategy for developing the Shenzhen SEZ can be summed up as follows: We should build Shenzhen into a special economic zone with an extroverted nature that takes industry as the dominant factor; simultaneously develops industry and trade; combines industry, trade, and technology; simultaneously runs banking, tourism, service, and real estate industries as well as agriculture, animal husbandry, and fishery. We should build it into a new-type city with a rational industrial structure, advanced science and technology, and a high degree of material and spiritual civilizations in which the people live a better-off life. In this way Shenzhen will make great contributions to socialist construction in the hinterland and the rest of the country.

#### XINHUA REVIEWS SHEKOU INDUSTRIAL ZONE PROGRESS

HK140830 Beijing XINHUA Hong Kong Service in Chinese 0613 GMT 13 Aug 85

[Text] Hong Kong, 13 Aug (XINHUA) -- Of the 100 foreign enterprises (including enterprises under single proprietorship, joint ventures, and cooperative enterprises) producing goods in the Shekou Industrial Zone, Shenzhen, 56 have made rather substantial profits, more than 30 have either made small profits or are breaking even, and only a few are losing money. This reporter learned this from a responsible person of the China Merchants' Steam Navigation Company not long ago.

Since it established the Shekou Industrial Zone in 1979, the China Merchants' Steam Navigation Company has adhered to the principle of "the predominance of three things:" The production makeup is predominated by industry, capital is predominantly foreign capital, and the products are predominantly export goods. In addition, it has also developed the tertiary industry, which serves industrial production. By this June, foreign businessmen had agreed to invest HK\$1.1 billion, which is equivalent to 43.7 percent of the total amount of investment absorbed by the industrial zone. The remainder is investment by mainland departments and enterprises and by the China Merchants' Steam Navigation Company. There is an influx of microcomputers, electrical machinery, molds, containers, yachts, paints, sulphuric acid, silk, yarn, garments, and toys produced by the plants and factories in the industrial zone onto the international market. Facts have proven that the establishment of the Shekou Industrial Zone is a correct policy and that foreign businessmen investing money here will have a bright future.

In addition to its geographical proximity to Hong Kong, good sea and land transportation services, and other favorable natural conditions, an even more important factor is that the Shekou Industrial Zone has created favorable conditions for foreign investment. Shortly after it was established, it did a good job of the necessary capital construction, which includes port and wharf construction, sea and land transportation, telecommunications, water supply, power supply, and the construction of factory and office buildings. In addition, it also formulated attractive preferential policies. All those factories intended to operate in the industrial zone for 10 years or more are exempted from profit tax in the first 2 profit-making years, and there will be a tax remission or reduction in the third year. In addition, labor is cheaper here than in Hong Kong. The average wages for the workers here is about one-third of those for workers in Hong Kong.



In administration and organization, the industrial zone's leadership departments have devoted vigorous efforts to looking for appropriate partners for joint ventures and cooperative enterprises. In looking for foreign partners, foreign investors with a good reputation, abundant capital, advanced technology, and the ability to produce marketable export products will be chosen. Investors with backward technologies and serious or insoluble pollution problems who will vie with the foreign trade departments for export quotas are not welcome. In looking for investors in the country, those with advanced technologies and whose products are superior to others will be chosen. Thus, most of the chosen investors are well-known factories and plants in Beijing, Tianjin, and Shanghai. The joint ventures and cooperative enterprises thus established can ensure the quality of their products and can be easily adapted to the everchanging needs of the international market. The Huan Qiu [3883 3808] Company Ltd., which was jointly established by foreign investors and a high quality plant in the country, the Shanghai electrical machinery plant, and the Hua Luo [5478 3157] bearing plant jointly established by foreign investors and the famous Luoyang bearing plant have speedily achieved good reputations on the international market.

The administrative organs of the industrial zone allow those enterprises under single proprietorship to have ample decision-making power. So long as they abide by Chinese laws, the regulations concerning the special economic zones, and the relevant regulations concerning the industrial zone, they will be allowed to deal with their own administration and economic affairs. Party organizations, CYL organizations, and trade unions are not allowed to organize activities interrupting production in the enterprises or to infringe on their legitimate interests. The trade unions should play a positive role in facilitating regular production in the enterprises. These measures have freed foreign businessmen from worries.

In the past, some enterprises under single proprietorship did try to add to labor intensity by requiring overtime work, and in some enterprises under single proprietorship, the workers improperly asked the enterprises to prolong their spring festival break. However, as a result of the timely mediation by the departments concerned of the industrial zone, the problems were satisfactorily solved. Some enterprises under single proprietorship have developed or are developing rapidly. For example, the Sanyo (Shekou) Electrical Appliance Company Ltd., which is a Japanese company, only had 400 to 500 workers when it was first established. Now it has 3,000 workers and it has increased the number of its factory buildings from 1 to 3. The Cabbage Patch Kids produced by the Kadar Company Ltd., which was established by Hong Kong investors, are very marketable in Europe and the United States. The company is making large profits.

Those companies losing money can be grouped into three categories: First, those that have just begun operation. These companies have not yet been able to balance their income and expenditure. Second, those in the heavy industry. Depression on the international market has affected the prices and marketability of their products. These companies include those that produce containers and iron and steel products. Third, those in which production is affected by their outdated facilities and the shortage of materials. In spite of these problems, so far none of the enterprises operating there has been closed down.

In the Shekou Industrial Zone, there are more than a dozen service companies providing services for production and for the workers there. Each year these companies issue suggestion forms to the enterprises in order to ask for opinions and criticism. In this way they can improve their service. Foreign businessmen have most frequently complained about the problem of power supply. Not long ago, the leading organs of the industrial zone earnestly studied this problem.

They are of the opinion that as a result of the development of the industrial zone, there has been a rapid increase in power consumption. The problem cannot be solved simply by asking people to practice conservation. Thus, they have adopted a resolute measure; they have signed an agreement with Hong Kong's China Light and Power on laying an underwater cable. It is expected that in 10 months there will be an abundant power supply in the industrial zone. In the meantime, the industrial zone is laying down a plan for stepping up power supply in order to meet future needs in the course of industrial development.

#### HUBEI CPC OFFICIAL ON SITUATION IN RURAL AREAS

HK140939 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 12 Aug 85

["Excerpts" of a speech by Qian Yunlu, deputy secretary of the provincial CPC Committee at the provincial CPC Committee meeting on urban work: "Uphold Reforms, Safeguard the Initiative of Peasants, Consolidate and Develop the Good Situation in Rural Areas" -- date not given]

[Text] In the first part of his speech, Comrade Qian Yunlu spoke about the present situation in the rural areas.

He said: With the motive force of urban reforms, the present situation in the province's rural areas is a good one. Specifically, the present situation in the rural areas is marked by the following characteristics:

First, the rural areas have made remarkable achievements in readjusting the industrial structure. The single-product economy has taken on a new aspect. In the province, farming, forestry, animal husbandry, sideline production, and fishery have become prosperous in a comprehensive way.

Second, the town and township enterprises have taken a new step. In particular, enterprises run by villages, combines, and individuals have undergone rapid development and achieved good economic results.

Third, both the urban and rural markets are brisk, the purchasing and selling activities are active, and the prices are rather stable.

Fourth, the developmental trend of small towns in rural areas is quite good. The development of small towns brings about the development of secondary and tertiary industries in the rural areas, as well as the shift of manpower. Therefore, it plays a more important role in building the two civilization in the rural areas.

This good situation in the rural areas is a result of upholding reforms, opening to the outside, invigorating the economy, and constantly implementing the party's policies toward the rural areas. It is also the result of the improvement of work style and the practice of handling matters in a down-to-earth manner among the cadres of the CPC committees and government at various levels. It is also a result of great support from various departments. Judging from the rural areas themselves, it is mainly because the CPC committees and governments at various levels have correctly handled the relations in five areas. That is, various localities have correctly handled the relations between grain production and diversified economy in agriculture, between speed and economic results in the development of town and township enterprises, between the major circulation channel and other circulation channels in the area of circulation, between macro control and microscopic invigoration in the shortage of capital, and between taking into consideration the overall economic situation and tackling the key points and the weak points in the method of leading the economic work.

The second part of Comrade Qian Yunlu's speech was about safeguarding the initiative of peasants, and consolidating and developing the good situation in the rural areas.

Qian Yunlu said: At present, there are many new situations and new problems developing in the rural economic work. The focus of these problems is how to safeguard a continued upsurge of the initiative of peasants under the new circumstances. We must strengthen our investigation and study, and constantly emphasize studying the new situation and solving new problems while making progress; so that we can safeguard a continued upsurge of production initiative among the peasants.

First, we must further implement the party's economic policies toward the rural areas. At the first stage of reform in the rural areas, the focal point was the system of contracted responsibilities with payment linked to output. It is also the foundation of the rural reform at the second stage. Since the 3d Plenary Session of the 11th CPC Central Committee, the situation in the rural areas has indeed become better. However, there are only a few peasants who have really attained prosperity. The overwhelming majority of the peasants have very little left after meeting their clothing and food requirements. In addition, a considerable number of peasants still have not extricated themselves from difficulty. Facing this reality, we should allow households to run business in a long-term manner. Various economic developments in the rural areas are inseparable from this foundation. Once we have consolidated and perfected this foundation, the peasants will have more decision-making power, and their production initiative will consequently become more enthusiastic. Of course, in the wake of the development of commodity economy in the rural areas, the rural cooperative economy will be developed. But it is based on the development of productive forces, the aspirations of peasants, and the coordination and development of household economy; rather than based on prescribed growth or administrative intervention.

Second, we should conscientiously solve the problems that the burden of the peasants is too heavy. At present, the peasants' burden is greater than they can shoulder in terms of amount. There are a variety of reasons for their burden being too heavy. First, many departments do not analyse in a truth-seeking way the situation in the rural areas and the level of prosperity attained by the peasants. Taking advantage of this good situation, they only want to develop their undertakings in the rural areas and set their demands too high and are too hasty. Second, some service departments and units have a feeble concept concerning the masses, or do not have a firm concept of serving the people. Instead, they put money in first place when handling matters. Third, the policies worked out for various areas do not dovetail with each other, so that management has got a little out of control.

On solving the problem that the burden of the peasants is too heavy, we must first solve problems in our understanding. Then we must uphold the principle of making the burden rational, and then really make the burden reasonable and appropriate. Furthermore, we must improve the method of shouldering the burden, strengthen our supervision and management, and further develop the town and township enterprises so as to make industry support agriculture.

Third, various departments must further correct the ideology guiding their work. Focusing on the readjustment of rural industrial structure, they should do well in the provision of services in a down-to-earth manner. In particular, they must help peasants solve problems in selling and purchasing.

Fourth, we must do a good job in helping those who are poor.



Fifth, we should correctly handle the questions in developing the town and township enterprises. The town and township enterprises are run by the peasants. Therefore, we must enthusiastically support and safeguard the healthy development of town and township enterprises.

The third part of Comrade Qian Yunlu's speech was about strengthening leadership, firmly grasping the present situation, and striving for bumper agricultural harvests this year. He stressed: First, we must firmly grasp the work in August and September, and strive to fight against natural disasters and to reap bumper harvests. In particular, we must firmly grasp grain production and must not lower our guard. Second, we must do a good job in purchasing agricultural and sideline products. In the second half of this year, the issues of having a large amount and a great variety of agricultural and sideline products, and the problem of shortage of capital will be more prominent. The financial departments should accommodate the units with short-term loans, and provide assistance in various ways, so as to ensure the supply of cash for purchasing agricultural and sideline products. Third, we must grasp well the autumn sowing, and lay a good foundation for further agricultural readjustment next year. Fourth, we must strengthen the building of the grass roots, and simultaneously grasp the two civilizations. The province has just established the district and town system, which has yet to be stabilized. We must encourage and support the district and town cadres to dedicate their efforts to the work. While grasping material civilization, we must strengthen the building of spiritual civilization so that the cadres and masses will have ideals and morals, will be well-educated, and will observe discipline. Fifth, cadres at various levels must further improve their work style, and frequently go down to the grass roots. They must strengthen their investigation and study, understand the new situation, solve new problems, and sum up new experience. They must lay full stress on implementing the work down to every level.



HEILONGJIANG GOVERNOR REPORTS ON PRICE REFORMS

SK150115 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 13 Aug 85

[Text] On 13 August, at the meeting to report on the current situation of provincial-level organs, Governor Hou Jie said: In the second half of the year, we should continue to reform the price system and basically maintain the stability of the general level of prices.

Hou Jie continued: This year, in reforming the price system, our province has conscientiously implemented the principle of combining relaxed control with readjustment and aimed at progress in measured steps. We have mainly relaxed control over the prices of hogs and the prices of some vegetables, rationally readjusted the prices of grain and oil-producing crops in the rural areas, and appropriately raised prices for short-distance railway freight and passenger transportation. Now the reforms in these aspects have already begun, and practice shows that the orientation is correct. In carrying out reforms in these aspects, we have emphatically upheld the principle that the prices of some products should be raised, while those of others should be lowered. We have also definitely stipulated that prices of sugar, salt and soap, which have a close bearing on the people's livelihood, should not be raised.

According to statistics, in the first half of the year the total index of the provincial retail prices rose 9 percent over the same period last year, which is higher than the average increase rate of the total index of national retail prices.

In analyzing the reasons for the price hikes, Governor Hou Jie pointed out: The first reason is that after relaxing control over the prices of part of the minor commodities and agricultural byproducts, production development has fallen behind the growth of consumption, and the market supply has fallen short of demand. The second reason is that the prices of some commodities imported from areas outside the province, such as aquatic products, fruits, and some of the spring vegetables, have risen because their prices were raised in their producing areas. The third reason is that increases in the prices of some raw and semifinished materials, fuel and short-distance transportation have increased the production cost of enterprises. The fourth reason is random price increases and price increases in disguised form. Problems in this regard are relatively conspicuous now. The fifth reason is that we have underestimated the chain reaction caused by price system reform and have failed to keep pace with the development of the related work.

Governor Hou Jie also stated: In the second half of the year we should continue to reform the price system. Those that should be reformed must be reformed, those that should be controlled must be strictly controlled, and those that should not be allowed to have their prices increased must be controlled in order to basically stabilize the general level of commodity prices. We should strive to develop production and control currency circulation. This is the fundamental guarantee for stabilizing prices. Meanwhile, we should strengthen the management, supervision, and examination of the markets. We should persist in controlling the increase in the index of retail prices below 10 percent in order to basically stabilize the general level of prices. Highest prices should be set for minor commodities and agricultural byproducts on the market. Concerning commodities purchased from places other than the province, the ratio of price parities between purchases and sales should be fixed. For individual traders who buy commodities from state-run commercial departments, the ratio of price parities between the wholesale and retail trades should be fixed. As for the production means and scarce goods subject to market regulation, only one link in the circulation chain is allowed in a city, and such means and goods should be managed by specialized departments. In dealing in a large quantity of vegetables, the state-run commercial departments should continue to implement the policy of making the retail prices lower than the state purchasing prices in order to help control the market prices.

## Views Economic Situation

SK140845 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 13 Aug 85

[Text] This afternoon at the provincial exhibition hall, Governor Hou Jie gave a report on the provincial economic situation to cadres at and above the deputy section chief level of the provincial organs. He said: Since the beginning of this year, the province's national economy has maintained a good trend of sustained, steady, and coordinated development. In the field of agriculture, the structure of the crops industry has become more rational, an overall increase has been achieved in animal husbandry, and township enterprises have witnessed fairly rapid development. In the first half of this year, the provincial industrial output value came to 17.23 billion yuan, accounting for 50.9 percent of the annual target and showing a 12.5 percent increase over the corresponding period of last year. In the financial field the province achieved simultaneous increases in production and marketing and in revenue. There was a good beginning in the province's educational reform.

In his report, Governor Hou Jie also pointed out the difficulties and problems in our province's economic work. The major ones are as follows: What production may decline this year because large areas of farmland were destroyed or had to be replanted due to a serious drought last spring. In industrial production, some localities and enterprises have one-sidedly pursued high output value and growth rate and neglected the quality of the product. Capital construction enterprises still have to solve their problems of long construction period, low construction quality, and high cost.

Governor Hou Jie said: There are only 5 months left in this year. The provincial organs have a great amount of work to be finished in order to fulfill this year's tasks. We should make the reform of the economic structure run through our work from the beginning to the end, and make it lead the work in other fields. All departments should make good arrangements for current work. They should assign a few major fields of work to leading persons and designate special personnel to take charge of them and to make specific arrangements for their fulfillment so that every field of work can be done successfully with good results.

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PREMIER YU ACCEPTS FINANCE MINISTER'S RESIGNATION

OW151015 Taipei CNA in English 0945 GMT 15 Aug 85

[Text] Taipei, Aug. 15 (CNA) -- Finance Minister Lu Jun-kang resigned Thursday to assume responsibility for the Taipei 10th Credit Cooperative scandal.

Lu tendered his resignation to Premier Yu Kuo-hwa Thursday morning and was absent himself from the regular weekly meeting of the Executive Yuan. Vice Finance Minister Li Hung-ao was present at the meeting.

Premier Yu approved Lu's resignation after the meeting. Yu asked Li to be acting minister before a new minister is named.

MINISTRY REPORTS COMMUNICATIONS SYSTEM PROGRESS

OW130403 Taipei CNA in English 0239 GMT 13 Aug 85

[Text] Taipei, Aug. 12 (CNA) -- It is getting easier and easier to communicate in the Republic of China. According to the Ministry of Communications, the country is expanding and improving its basic communications system while keeping abreast of modern developments in communications technology.

In 1984, for example, 1,618 new digital communications cables were installed throughout the country. This was an increase of 61 percent from the number of new cables laid in 1984.

A ministry official said that the continued development of digital communications systems in Taiwan and the integration of computer technology with the existing network are high-priority goals for the government. He said that efficient digital communications would be a boon for business in this country, and would raise the general standard of living.

The ministry reported that 417,000 new telephones were installed in 1985. But this is still a decrease of 33 percent from the number of new phones installed in 1984. In 1985, 22,171 new long-distance lines were opened, a 2.2 percent decrease from the number opened in 1984.

The ministry spokesman attributed the decreases to the fact that Taiwan has become "saturated" with phones as practically everybody who needs and wants a phone already has one.

CHIUSHIH NIENTAI SEES HAINAN IN 'SCAPEGOAT' ROLE

HK061111 Hong Kong CHIUSHIH NIENTAI in Chinese No 187, 1 Aug 85 pp 50-51

[Article by Shi Hua: "Inside Stories Exposed Through Hainan Incident" -- capitalized passage published in boldface]

[Text] ALL PROVINCES HAVE A SHARE IN THE HAINAN ISLAND AUTOMOBILE SALES INCIDENT, BUT UNDER THE INVESTIGATION, IT IS VERY POSSIBLE THAT HAINAN ISLAND WILL BECOME A SCAPEGOAT. FURTHERMORE, SINCE THE CENTRAL AUTHORITIES HAVE TAKEN RESOURCES FROM HAINAN AND RESTRICTED HAINAN'S DEVELOPMENT FOR A LONG TIME, THE INVESTIGATION BY THE CENTRAL AUTHORITIES HAS ROUSED STRONG DISCONTENT AND INDIGNATION BOTH AT UPPER AND LOWER LEVELS ON HAINAN ISLAND.

Now, the Hainan Island automobile incident is still under investigation. It is said that Lei Yu, director of the Hainan regional government, is still under investigation and has not resumed his post and that it is not as yet clear whether he will leave Hainan Island. The No 2 leader Chen Yuyi, a deputy secretary in charge of the Foreign Economic Relations Committee, is now being examined by the central work group that has come to the island and is helping to handle the aftermath. As he is in charge of external economic and trade, he has become the greatest target of criticism and punishment. Only Meng Qingping, the No 3 leader and a deputy secretary, can be regarded as having a firm hold on his post because he is in charge of industry and capital construction and has not been much involved in external economic activities.

Lei Yu Is Willing To Be Held Solely Responsible

It is said that in his self-criticism, Lei Yu expressed his willingness to be held solely responsible for the incident so that other people on the island will not be involved. Lei Yu was transferred to Guangdong from Liaoning and was appointed deputy chief of the office of the Guangdong Provincial CPC Committee. He is not a native of Hainan Island. In 1982, he was transferred to the post of No 1 leader in Hainan Region. He found that Hainan Island had rich material resources and fertile land, but was economically backward with people there leading a poor life. Therefore, he earnestly strove to get permission from the CPC Central Committee to allow Hainan to become a special economic zone.

Lei Yu made good use of Deng Xiaoping's words: There are two treasure islands in China. Hainan Island has richer resources than Taiwan does, but now Taiwan's GNP is 40 times that of Hainan Island and the Taiwan people's living standard is 5 times higher than that of the people on Hainan Island. Hainan Island should strive hard to catch up with Taiwan in 20 years. With these words, Lei Yu persuaded the central leaders to give the Hainan development region various privileges, as stipulated in the "CPC Central Committee's Eight Regulations on Expanding Hainan Island's Decision-Making Power in Conducting Foreign Economic Relations and Trade," which was issued in October 1983. The fifth regulation stipulates that Hainan Island is allowed to spend its retained foreign exchange to independently import the consumer goods in short supply in the market there, including the 17 kinds of commodities which are under state import control. It was precisely this regulation that enabled Hainan to import large quantities of automobiles and other consumer goods in the latter half of last year. The seventh regulation stipulates that Hainan Island is allowed to send people to all the areas in our country to organize sources of goods for export and to spend the foreign exchange it earns from the exports entirely on its own. This provides a source of foreign exchange for the island to purchase automobiles and other consumer goods.

Both the Central and Various Provincial Governments Have Been Involved in Reselling Automobiles



At present, the Hainan Island automobile incident is regarded as a serious mistake by the central and various provincial governments. Central work teams have been sent to work on Hainan Island and in various special economic zones. During the investigation, it has been found that Hainan's practice which is now regarded as a violation against state policies, has long been carried out in various special economic zones. The difference lies only in the extent of the practice. What has taken place in various special economic zones is not as noticeable as the incident of reselling a large number of automobiles. If the central authorities are determined to vigorously investigate and put an end to the various countermeasures that localities have invented under all kinds of pretexts to counter the policies of the central authorities, thus disclosing all the cases, they will end up by negating the special economic zones. Taking into consideration the political impact of this abroad and in particular, considering their power and position at home, those in power in the central authorities will surely preserve all special economic zones and it is very possible that Hainan Island will become a scapegoat for last year's policy of "bravely opening to the outside world."

The cadres on Hainan Island are closely following the process of the handling of the incident.

It is learned that most of the local cadres on Hainan Island hold identical views on this incident. They all hold that Hainan Island did commit mistakes in this incident, but it should not be held solely responsible for the mistakes.

First, the "eight regulations" are policies that the CPC Central Committee has formally promulgated. In these regulations there is no clear stipulation that Hainan Island is not allowed to resell to mainland areas the goods that it has independently imported. Nor do they clearly stipulate how Hainan Island is to spend the retained foreign exchange that it has earned through its organization of exports. Therefore, the resale of automobiles to areas outside the island did not run counter to the policies and regulations. Only now, when this is regarded as a problem, is "resale" regarded as an offence of "reselling goods for profit."

Second and most important, from April 1983 when the CPC Central Committee decided to speed up the development of Hainan Island through October 1983 when the "eight regulations" were promulgated, until June 1984 Hainan Island did not exploit its privilege of reselling automobiles and other imported consumer goods to other provinces in the mainland. Just once, a company on Hainan Island resold a few automobiles to a hinterland area and was fined 2,000 yuan in renminbi for each automobile.

What directly caused the automobile incident was the national industrial and commercial conference which was held in Fuzhou in May 1984. At the conference, some central departments and provinces agreed to refer to the precedent of the 2,000 yuan fine per automobile and allow Hainan Island to import automobiles for sale to mainland areas, paying 2,000 yuan tax for each one.

Therefore, Hainan Island's resale of automobiles to the mainland was in fact approved by the national industrial and commercial conference and it has paid taxes in accordance with the regulations.

Third, after the Fuzhou conference, automobile resales prospered in the mainland. Transactions cannot be made by one side alone; there have to be buyers as well as sellers. Many of the buyers were central ministries and the leading organs of various provinces and municipalities. Central and various provincial responsible persons not only approved the purchase of automobiles from Hainan Island, but also took the initiative to contact the sellers there. Therefore, if the transactions are regarded as violating the policies, both buyers and sellers have committed the offence.

As for illicit currency exchanges, there must be sellers as well as buyers. Some central ministries, provinces, and enterprises sold their foreign exchange on and their retained foreign exchange to Hainan Island, and Hainan Island bought large amounts of foreign exchange from Shenzhen. Both sellers and buyers should be held responsible for these transactions and it is unreasonable for Hainan Island to be held solely responsible.

#### Hainan Island Is Over 3 Billion Yuan in Debt

After the incident, the central authorities forced Hainan Island to hand over the automobiles that the central authorities bought at the state unified exchange rate (the official rate of 2.8 yuan renminbi for \$1). Hainan Island thus incurred heavy losses as it bought foreign exchange at an excessively high rate to import these automobiles. Moreover, as credit has been tightened and as there is a shortage of money, the central authorities have not yet paid Hainan Island for the purchases. We learned that the central authorities have taken away more than 54,000 automobiles, but were only able to pay some 110 million yuan of renminbi for them, over 2,000 yuan for each automobile on average. As a result, Hainan Island owes the state bank a huge amount. It is said that the Haikou branch of the Bank of China owes the state bank 3 billion yuan and owes the various provinces in the whole country more than \$300 million.

All the automobiles have been taken away, but there are still other imported materials and goods stockpiled on Hainan Island. Though a trade fair has been held to market these goods, as credit has been tightened and control imposed on the spending of foreign exchange, few buyers can be found. Only 30 million yuan of the 160 million yuan worth of goods was sold at the 10-day trade fair. Moreover, Hainan Island has already signed contracts with foreign businessmen for the purchase of a large number of automobiles, but it lacks the foreign exchange to execute the contracts. However, central leaders have already told foreign businessmen that any contract signed will surely be honored. Because of this, at the beginning of July, the State Bureau of Materials and Equipment drew up a new regulation that control be relaxed for various administrative units and institutions concerning their purchases of automobiles and that these units be allowed to spend the extra-budget funds at their disposal to buy automobiles from Hainan Island. The regulation also requires all units that have been granted permission to import automobiles to buy those automobiles for which Hainan Island has already signed import contracts. It is believed that the implementation of this regulation will help Hainan Island to honor the automobile contracts it has signed.

#### Automobile Incident Sets Off Political Contradictions

The cadres and people on Hainan Island are extremely indignant at the central authorities investigation of the automobile incident and their methods of handling the incident.

There have been concrete factors as well as historical causes for the contradictions between Hainan Island and the central authorities and Guangdong Province. Originally, Hainan Island was one of the CPC's guerrilla bases. During the war of resistance against Japan and the civil war between the KMT and the CPC, the CPC's Qiongya Column was a force that could not be overlooked. After the founding of the PRC, Feng Baiju, the leader of the Qiongya Column, was in charge of the government on Hainan Island and, on the grounds of Hainan's natural conditions and resources, suggested that the central authorities upgrade Hainan Island and turn it into a province. His suggestion was denounced as "localism" by Tao Zhu, the then leader of Guangdong Province. Since then, cadres who began their careers in the Qiongya Column have never been put into any important post by the CPC. The people on Hainan Island have always been indignant about this.

Hainan Island has rich natural resources, but for over 30 years these resources have been exploited and used entirely by the central authorities, bringing no benefit to the people on Hainan Island. The well-known Shilu iron mine yields 3.75 million metric tons of iron ore a year, containing more than 60 percent of iron. But the state extracted the ore and sent it to Anshan in the past, and sends it to Shanghai now. No steel and iron industry has been developed on Hainan Island. Hainan yields 30 percent of the nation's rubber, its Yingge saltworks is the biggest saltworks in southern China and three of Guangdong's primitive forests are on Hainan Island. Hainan abounds in tea, sisal hemp, pepper, cocoa and other industrial crops, and coconuts, betel nuts and other fruit. However, all these resources and products are exploited and grown mostly by state enterprises and state farms and most of the materials and goods produced by them have been sent to mainland to use and process. For more than 30 years, while sending resources to the mainland, Hainan Island has almost entirely failed to develop its own industry, communications, and capital construction. Most of the existing relatively large-scale ports, airports, and highways were built during the period when the island was ruled by Japan. In the past few years, oil was discovered under the sea or land in eastern Hainan, but again, this is to be exploited by the state.

Hainan people have said that there are eight ministries in the central government (such as the First Ministry of Machine-Building Industry, the Second Ministry of Machine-Building Industry, and the Ministry of Metallurgical Industry) which have taken resources from Hainan Island and that undoubtedly, these ministries were like the Eight-Power Allied Forces. They have also said that the central departments come to fell trees and take away the timber from the forests on Hainan Island but left the Hainan people to look after the forests. Hainan has always been regarded by China as a strategic island and many troops are stationed on it, which have to be provided for by the people there.

Precisely these historical and current factors have caused the automobile incident to arouse even greater discontent and indignation. Lei Yu is not a native of Hainan Island, but for the past few years he has worked to enable Hainan people to lead a relatively well-off economic life. He and other local cadres on Hainan Island have expressed their willingness to be held responsible for the automobile incident, while the people have expressed their intention to stand by Lei Yu and other cadres, saying that if these cadres receive unfair treatment, the people will build a monument for them. It is perhaps because of this attitude of the Hainan Island people that so far the central authorities have not punished Lei Yu and other people who have expressed their willingness to be held responsible. It is rumored that Lei Yu has been dismissed from his post, but this is not a fact.

The CPC's garrison on Hainan Island can of course easily suppress any political opposition there. However, they cannot overlook the political impact that the suppression will have both at home and abroad. Hainan people are waiting to see how the central authorities will further handle the aftermath of the automobile incident.

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